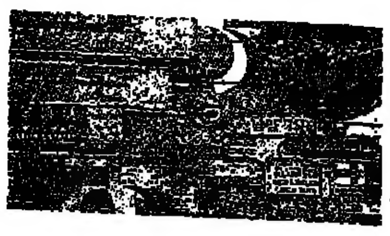

Hong Kong
Resumption of Chinese whispers
Page 5

Executive pay
Tightening the belt on US bosses
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Stimulating Japan
Fresh injection for economic giant
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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY APRIL 14 1993 — D8523A

Retail sales fall casts doubt on US recovery hope

US retail sales dropped by 1 per cent last month renewing pessimism about the strength of the nation's economic recovery and sharpening President Bill Clinton's arguments in favour of the $16bn spending stimulus he wants to push through Congress. Page 18; Currencies, Page 36; World *stocks*, Page 35

Bosnia food appeal: European Community *countries faced* an urgent appeal for food aid for Bosnia, as officials warned that the UN had practically run out of supplies for the country's stricken population. Page 18; Morillon recall sparks row; UN asks EC for food aid, Page 2; Foes with shared values, Page 16

IG Metall, Germany's powerful engineering union, may be about to abandon its opposition to separate wage deals between east German companies and their employees. Page 2

Mandela calls for multiracial elections

African National Congress leader Nelson Mandela (left) said a date for multiracial elections should be *set immediately* to end political violence following the killing of prominent ANC activist Chris Hani. "If those elections had taken place, if we had a democratic government representing everybody, Comrade Hani would have been alive," Mandela told a rally near Hani's home in Boksburg, east of Johannesburg. Meanwhile the country braced for political violence during today's planned mass strike called by the ANC to mourn the killing. Page 5

EBRD 'unrepentant': The European Bank for Reconstruction and Development said it was unrepentant about spending £201m on itself over the past two years and was proud *of its record* on loans to former east bloc countries. Page 9

Merrill Lynch, largest securities house in the US, saw its shares rise sharply after it reported record first-quarter profits of $342m, up 57 per cent from a year earlier. Page 17

CGIP, French holding company which recently raised its stake in the CarnaudMetalBox packaging group, announced a fall in net profits to FFr542m ($100.3m) last year from FFr672m in 1991. Page 17

UK companies optimistic: *Hopes of a UK* economic recovery were raised by a survey showing companies predicting flourishing sales and new orders. Page 18 and Lex

Romanian MiGs crash: Two Romanian air force pilots were killed when their MiG-21 fighters collided during a training flight near Caracal, 150 km west of Bucharest.

Westinghouse Electric, US conglomerate hit by severe difficulties in its financial services division and recent management changes, recorded a $64m after-tax profit in the first quarter compared with a net loss of $246m in last year's first quarter. Page 17

Coca-Cola, Atlanta-based soft drinks group, reported a 21 per cent improvement in earnings per share during the first quarter and an 18 per cent advance in profits, before accounting-related charges, to $454m after tax. Page 20

Mass pile-up: More than 70 cars and trucks and one bus crashed in fog which cut visibility to 45 metres on the Munich-Stuttgart autobahn. Police said 36 people were injured, nine seriously, in the accident near Guenzburg.

Nigeria subsidy move postponed: Nigeria's ruling military council has deferred removal of the fuel price subsidy, due on June 1, to avoid *unrest in the run-up to* presidential elections on June 12. Page 5

Suez, one of France's most prominent industrial and financial holding companies, recorded its first loss in its history last year. Page 20

New threats to Maastricht treaty: British efforts to ratify the Maastricht treaty on European union face fresh threats of delay from *opposition* politicians. Page 9

Crude price rises: Crude oil rose in value by around 20 cents a barrel after Opec ministers pledged to try to adhere more strictly to previously agreed production quotas. Commodities, Page 28

STOCK MARKET INDICES		
FT-SE 100:	2846.8	(+25.0)
Yield	4.01	
FT-SE Eurotrack 100	1157.54	(+6.14)
FT-A All-Share	1395.73	(+0.8%)
Nikkei	20,740.29	(+858.15)
New York:		
Dow Jones Ind Ave	3447.54	(+19.45)
S&P Composite	449.57	(+1.20)

US LUNCHTIME RATES		
Federal Funds:	3%	
3-mo Treas Bills: Yld	2.9%	
Long Bond	104 12/32	
Yield	6.771%	

LONDON MONEY		
3-mo Interbank	5 15/32%	(Same)
Liffe long gilt future:	Jun 107 7/16	(Jun 106 13/32)

NORTH SEA OIL (Argus)		
Brent 15-day (May)	$18.99	(18.71)

Gold		
New York Comex June	$338.8	(338.2)
London	$336.55	(336.95)

STERLING		
New York lunchtime:		
$	1.556	
London:		
$	1.559	(1.525)
DM	2.4625	(2.45)
FFr	8.325	(8.2925)
SFr	2.2525	(2.2575)
Y	176.75	(173.25)
£ Index	80.7	(80.1)

DOLLAR		
New York lunchtime:		
DM	1.5815	
FFr	5.336	
SFr	1.4445	
Y	113.25	
London:		
DM	1.579	(1.607)
FFr	5.34	(5.4375)
SFr	1.445	(1.4795)
Y	113.35	(113.55)
$ Index	64.2	(64.8)
Tokyo close Y 113.33		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira30	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.80	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Public spending plan lifts market and wins qualified US approval

Japan announces $117bn economic recovery package

By Robert Thomson in Tokyo

JAPAN yesterday unveiled a Y13,200bn ($117bn) economic package aimed at reviving its troubled economy and combating protectionist pressures over the growing Japanese trade surplus with the US and Europe.

The package of public investment and tax concessions – the *government's second major boost* to the Japanese economy in nine months – was greeted by a 4.3 per cent surge in stock prices and a cautious welcome from US officials *in Tokyo for a meeting of* the Group of Seven leading industrialised nations.

The Nikkei average closed above 20,000 for the first time in more *than a year. It ended 858.15* higher at 20,740.29, or 44 per cent above its August low at the time of the previous package.

Mr Lloyd Bentsen, the visiting *US Treasury Secretary, said* Japan is in the "very fortunate position" of having the financial resources to contribute to international growth.

The ruling Liberal Democratic Party said the stimulus would ensure that the country was set "on the path to recovery".

Japanese economic growth slumped to post-war lows over the past two years, following the collapse in the Tokyo stock market in early 1990. Demand for imports from the rest of the world fell while troubled Japanese banks dogged by bad debts have cut international lending.

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■ Japanese economic package
PAGE 17
■ Editorial comment
PAGE 18
■ Lex; US recovery in doubt

Japanese business organisations generally welcomed the spending proposals, which, in raw terms, exceeded the Y10,700bn emergency package *announced last August. But* retailers, looking for a rekindling of consumer demand, were disappointed that an income tax cut was not included.

Mr Kiichi Miyazawa, prime minister, said the package should enable the country to meet its official forecast of 3.3 per cent growth for the current fiscal year, ending next March.

But the package is heavily weighted towards public works investment, prompting concern among private economists that it could create a spending bottleneck that will work against a balanced economic recovery.

Apart from Y4,170bn in fresh public works spending and Y1,600bn in early purchases of land for public projects, the package includes a commitment to contract at least 75 per cent of public works funds already budgeted for this fiscal year by the end of the first half.

Other measures include:

- Y1,150bn to be invested in "social infrastructure". The amount includes funds for the purchase of technology by universities and medical institutes.
- Y3,500bn in new investment by local governments.
- Y1,800bn in new funds for government housing loan companies, *and lower* interest rates for borrowers from those companies.
- Y1,910bn for government-affiliated financial institutions which provide funds to small and medium sized companies.

Mr Miyazawa plans to explain the details of the package to US President Bill Clinton in Washington during a meeting scheduled for Friday. The Japanese leader had insisted that the amount be decided before his departure for the US, where Japan has been criticised for not encouraging economic growth.

US Treasury secretary Lloyd Bensten welcomes the Japanese package

But the US may raise questions about how much of the package is fresh money and how much is merely a front-loading of existing plans and a *recycling of* government-controlled savings that would eventually be pumped back into the economy.

Mr Bentsen yesterday expressed "hope" that the package, likely to be approved by the Japanese parliament next month, will reduce the country's overall trade surplus, and "create a better balance in trade between Japan and the US".

His comments came after the announcement *of a record* $111.34bn trade surplus for Japan in the fiscal year ending last month, a rise of 26.2 per cent. The surplus for the month of March was also 26 per cent higher than in the same month last year, suggesting that the gap has not yet begun to shrink.

French repo rate cut boosts equities

By Alice Rawsthorn in Paris

THE BANK of France closed a chapter in the saga of its battle to defend the franc yesterday by replacing its main short-term lending facility – the 12 per cent five-day repurchase rate – with a cheaper and more flexible 10-day facility at 10 per cent.

The cut followed last week's fall in French money market rates. It was greeted with sharp gains on the Paris stock market, with the CAC 40 index breaching the 2,000 *barrier to close 1.57 per* cent higher at 2,016.08.

Mr Edmond Alphandéry, finance minister, said he was confident that interest rates *would "fall further in the days to* come". He called on the banks to cut loan charges.

The franc firmed slightly, closing at 3.38 against the D-Mark. Market rates were *relatively* stable, with overnight money at 9.75 per cent and one-month money at 9 per cent.

Economists cautioned that the *reduction was really a corrective* measure to bring official interest rates down from their "crisis" level, to follow market rates. They were sceptical about the *prospect of immediate cuts* in bank base rates, which have been held since January at 10 per cent, the same level as the new 10-day rate.

Mr Jean-François Mercier, chief French economist at Salomon Brothers, said: "Technically, *this cut is not very* meaningful. But it is an important *symbolic gesture*."

Although the new conservative government emphasises a long-term policy of lower interest rates, most economists suspect *that the French authorities* will wait for the Bundesbank to signal cuts in German rates – particularly as the provisional inflation figures for March showed *a 0.5 per cent increase*, slightly higher than expected, bringing France's annual inflation rate to 2.2 per cent.

Ms Juliette Brisac, economist at *Paribas*, said: "*We certainly expect* French rates to be far lower by the end of this year and *there* could be another small cut in the short term. But the next

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UK and China set date for talks on HK

By Robert Mauthner in London and Simon Davies in Hong Kong

BRITAIN and China are to hold talks in Beijing on April 22. The decision, announced yesterday, breaks a five-month procedural deadlock over democratic reforms for Hong Kong proposed by Mr Chris Patten, the colony's governor.

The dispute over Mr Patten's reform programme, which has seen China heap increasingly vicious personal abuse on the governor, threatened to embitter the remaining years of British sovereignty over Hong Kong, which is to be handed over to China in 1997.

China had also threatened to restrict trade between the two countries and to veto big projects in Hong Kong, which Beijing says required its approval under the 1984 Joint Declaration between the two countries.

Mr Patten refused to say whether China had changed its position on the talks, merely describing the decision as "a victory for common sense". He was speaking in London, where he had talks over lunch with Mr John Major, the prime minister.

He said: "I very much hope that we can come off at the end of the day with an agreement on proposals which are fair and acceptable to the people of Hong Kong."

The announcement was anticipated by aggressive buying on the Hong Kong stock and futures markets. Ahead of the news, the Hang Seng index closed 132.54 up at 6,418.21. The April Hang Seng Index futures contract, a significant barometer of short-term confidence, closed at an 82-point premium to the Hang Seng, and Hong Kong shares were in heavy demand later in London, suggesting that investors were expecting another strong performance today.

Although the agreement settles none of the fundamental issues raised by Mr Patten's *reforms*, it appears to be a genuine compromise. China has accepted the presence of three Hong Kong delegates in the British negotiating team, whereas it had previously rejected any Hong Kong participation.

Britain, for its part, appears to have agreed that the three Hong Kong representatives should not play a direct part in the negotiations. They will be there "to support" the British representative, Sir Robin McLaren, the ambassador to China, the British embassy in Beijing said.

Significantly, the colony's *three representatives* – Mr Michael Sze, Hong Kong's secretary for constitutional affairs; Mr Peter Lai, his deputy; and Mr William Ehrman, Mr Patten's *political adviser* – were not mentioned in the joint statement announcing the talks in Beijing, although Mr Patten said they were full members of the British team.

Down a familiar path, Page 5
Editorial Comment, Page 21

Fininvest poised to raise cash by activities merger

By Haig Simonian in Milan

FININVEST, the privately-owned *media and financial services* group of Italy's Mr Silvio Berlusconi, is poised to raise cash by merging and floating its main publishing activities.

The scheme, which has yet to be given a formal go-ahead by Mr Berlusconi, involves merging Silvio Berlusconi Editore, Fininvest's magazine publishing and *industrial printing* business, with Mondadori, Italy's biggest publisher, which Fininvest controls.

Shares in the amalgamated unit, which would have annual sales of about L2,000bn ($10m), would be offered to domestic and international investors, with Fininvest retaining 51 per cent. The proceeds would be used to bring *down* the group's debts, officially about L3,000bn, although some bankers put the total higher.

"We are looking seriously at these hypotheses, but no final decision has been made," said Fininvest.

The group has steered clear of some of the over-ambitious takeovers which have driven other international media concerns into difficulties, and has not visibly *suffered from* the recession. However, Mr Adriano Galliani, head of its television interests, and one of Mr Berlusconi's main lieutenants, said it was "in a consolidation phase". Indirect confirmation that preparations for the deal are well under way came with news last weekend that SBE had bought 20 per cent of Mondadori's ordinary shares from the Fininvest parent company.

No price for the intra-group *transaction was disclosed*. However, the transfer has been seen as a first step to the merger between the two publishing operations later this year.

Goldman Sachs and Banca Commerciale Italiana have been appointed to advise on the deal. However, bankers note that Mr Berlusconi, on whom the ultimate decision rests, has not yet fully committed himself.

Two years ago, the widely-expected flotation of *Fininvest's* Silvio Berlusconi Communications film subsidiary was shelved because of opposition from Mr Berlusconi, who remains hostile in principle to the participation of outside shareholders in his *activities*. However, bankers believe a cash-raising exercise is much more likely now in view of the greater financial pressures on his group.

The merger *of SBE with* Mondadori is likely to come through a reverse takeover, which would precede placing a large proportion of the shares in the combined unit.

SBE is best known for publishing Italy's biggest-selling magazine, *TV Sorrisi e Canzoni* and a new magazine, Noi. The company *made net profits of L29.7bn on* sales of L320bn in 1992.

Mondadori is Italy's biggest book publisher, and also has sizeable magazine interests, including Panorama, the country's biggest-selling news magazine. Sales amounted to L1,600bn last year.

Fininvest gained control of Mondadori's book and magazine interests after a long-running battle for control between Mr Berlusconi and Mr Carlo De Benedetti at the end of which Mondadori was split, with Mr Berlusconi retaining its publishing and magazines.

Although still listed, Fininvest controls *almost 90 per cent of its* ordinary shares and 80 per cent of its savings stock. Mondadori's share price has risen sharply this year on rumours of a deal.

Bankers believe up to 40 per cent of the shares being sold could be placed with foreign investors, explaining the role of Goldman Sachs in the transaction. However, in contrast to the planned flotation of Fininvest's *film interests, which had been* slated for the New York Stock Exchange, the SBE listing would only involve Milan.

VNU to sell printing division, Page 20

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IG Metall weighs approach on wage deals

German union may shift on bargaining

By Judy Dempsey in Berlin

SIGNS have emerged that IG Metall, Germany's powerful engineering union, may be about to abandon its opposition to separate wage deals between individual east German companies and their employees. Any such move away from centralised wage bargaining would have important implications for industrial relations throughout Germany, according to economists.

"Essentially, this dispute [between union and employers in eastern Germany] is about deciding where power lies," one economist said. "Will wage negotiations still be centralised among the employers' associations and IG Metall's federal organisation, or will it be decentralised in eastern Germany, which, eventually, will have an impact on western Germany?"

IG Metall was yesterday adamant that it will go ahead and ballot its members in eastern Germany in preparation for an all-out strike among the region's steel and engineering sectors.

The strikes are aimed at putting pressure on Gesamtmetall, the metal and electrical employers' association, and Arbeitgeberverband, its steel counterpart, to rescind their decision to end a contract for eastern wages to be brought into line with those in the west by April 1994.

But the union yesterday admitted it had not yet decided precisely "where or when" the ballots would take place. "The joint working parties on pay will have to decide to ask for a ballot [in the companies]," said Mr Jörg Barczynski, IG Metall's federal spokesman.

The union's hesitation in organising an all-out strike, even though it still believes one is inevitable, stems from conflicting pressures in the five eastern states. Several companies in eastern Germany, most notably in the car, shipbuilding and privatised steel industry, have offered 26 per cent pay increases.

These concur with the original March 1991 contract between the employers, IG Metall and eastern German enterprise managers.

"It will be difficult to bring these workers out," an IG Metall official said. But the union is reluctant to call off the strike because other enterprises are offering 9 per cent, as recommended by the employers, or a bit more. "That would mean admitting the end of the contract which Gesamtmetall broke," said Mr Barczynski. However, he added that IG Metall could envisage a situation where collective wage bargaining in eastern Germany would be superseded by separate contracts.

It appears IG Metall would be prepared to accept, in eastern Germany at least, an end to the traditional system of collective wage bargaining between employers and unions, even though it has accused the employers of wanting to use the wage conflict in eastern Germany to end that system.

Gesamtmetall was yesterday adamant that it did not want to break collective bargaining. "Individual contracts may well happen in eastern Germany, but it is a special case. It would not happen in the west," an official said.

Aznar seeks to calm peseta fears

Tom Burns and Peter Bruce on Spain's centre-right leader who is well-placed in polls

THE centre-right Spanish opposition leader Mr Jose Maria Aznar tried yesterday to calm investors' worries about conservative political and economic priorities by promising to maintain a strong peseta within the European monetary system.

With some opinion polls putting his Partido Popular (PP) slightly ahead of the governing Socialists, following the calling of a snap general election for June 6, he has come under strong pressure from advisers to tone down attacks on the many orthodox elements of current economic policy.

Mr Aznar has previously threatened the peseta's permanence in the EMS, largely in an attempt to capitalise on the problems which Mr Felipe Gonzalez, the prime minister, has been having in controlling Spain's slide into recession.

With both parties now fighting for the vital middle ground in Spanish politics, the polls indicate, however, that neither Mr Aznar nor Mr Gonzalez – should he revitalise his badly divided party – will score an outright win in the election.

Mr Aznar, 39, said he was confident of obtaining a "sufficient majority", indicating his readiness to govern in coalition with the middle-of-the-road Catalan nationalist party. The Socialists make much the same kind of claims for themselves.

Mr Aznar told a news conference that he ruled out a devaluation of the peseta and intended to keep the currency within the exchange rate mechanism of the EMS.

Acknowledging that it was markets and not governments that devalued currencies, Mr Aznar said that, if elected, he would boost confidence in the currency by implementing strict spending controls to reduce the budget deficit.

The Partido Popular leader added that he would pursue an extensive privatisation policy and that he would amend Socialist legislation currently before parliament that has been sidelined by Mr Gonzalez's gamble on Monday to call a snap general election.

A PP-led government, he said, would introduce changes to a controversial draft strike law which employers contend is weighted heavily towards the unions.

Mr Aznar said he would maintain a blueprint Socialist law that establishes the autonomy of the Bank of Spain but that he reserved the right to name a new governor of the bank when the law appeared on the statute book.

Mr Aznar's promises to "make Spain fit again" and to "turn a new page" recalled those of Mr Gonzalez, 51, more than a decade ago when the now embattled prime minister campaigned on the theme of "change" and promised to "make the country function".

Spain is now in recession, as it was in 1982, and figures released yesterday showed that last month a further 58,000 Spaniards registered at unemployment offices.

This brought the official number of job-seekers to 2.5m. or 16.6 per cent of the working population. In March last year the number registered at unemployment offices dropped by nearly 11,000.

Mr Gonzalez, aware that the PP could already be the front-runner in the polls, is preparing to stage a constant whistle-stop tour around the country when the campaign opens officially in six weeks' time.

In the previous election in 1989 he held meetings only at weekends.

The prime minister is also understood to be manoeuvring to maintain key ministers on the Socialists' electoral lists. At the heart of the party's division is a bitter confrontation between Mr Gonzalez's moderate cabinet and the left-leaning party machinery – led by Mr Alfonso Guerra, the deputy party leader – which blames government economic policy for declining public support.

The divide between the government and the party came to a head last week when Mr Gonzalez, backed by several members of his cabinet, attempted to force the resignation of leading party executives allegedly connected with illicit campaign funding. The party machinery refused to allow the dismissals but under an apparent compromise agreement handed the reins of the electoral campaign over to the prime minister.

Many Socialists, however, already regard the period just after the elections as almost as important to the party's future as the poll itself.

If Mr Gonzalez, who remains the country's most formidable campaigner, is able to secure enough votes to enable the party to lead a coalition, it seems likely that an emergency party congress would then be used to clear it of many of Mr Guerra's supporters.

In the event that the Socialists lose, and the PP forms a government, it seems unlikely that Mr Gonzalez would want to stay in politics and might leave the party in the hands of its current left-wing managers.

Either way, analysts worry that whichever party forms a coalition with the Catalan or Basque nationalists, these junior partners would demand high prices – in terms of greater autonomy and more spending on their regions.

That, the markets fear, could make it very difficult for any new government to control the country's growing budget deficits.

SPAIN: WHERE THE PARTIES STAND

	March 93* poll	Projected Seats	Election 1989	Seats Held
PSOE (Socialist)	33.9	151	39.6	175
PP (Conservative)	33.3	150	25.8	107
IU (Communist)	11.5	29	9.1	17
CDS (Centrist/Liberal)	2.0	1	7.9	14
PNU (Basque Nats)	1.2	6	1.2	5
CiU (Catalan Nats)	5.0	20	5.0	18

Source: * Demoscopia, for El Pais

Bank of France faces battle to keep its powers

By David Buchan in Paris

THE Bank of France plays a bigger role in its national economy than any other European central bank. Its 17,000 employees implement monetary policy, regulate commercial banks, compile corporate data, run the payments clearing system, even provide management advice to industry and conduct some private banking.

But French politicians will soon decide whether some of the bank's roles should be hived off to a separate authority. Mr Edmond Alphandéry, finance minister, has said he will produce a draft statute on the bank's future by the end of this week, which he expects parliament to pass before the summer break.

The Maastricht treaty dictates that national central banks must be made independent in the transition to economic and monetary union (Emu), with their board members having "irrevocable" tenure for at least five years and being forbidden to "solicit or accept" instructions from outside bodies. The treaty is, however, silent on what other roles independent central banks should have, beyond conducting monetary policy.

It is in this grey area that bureaucratic battle has begun between the Bank of France, which naturally wants to move into its new era of independence or autonomy with all its powers intact, and other institutions, notably the influential Trésor department of the finance ministry, which sees merit, not to say self-interest, in slimming down the "Old Lady" on the Rue de la Vrillière.

The odds are the central bank will keep its present powers. This was indeed the provision in the draft statute produced earlier this year by the UDF party in the ruling conservative coalition, from which Mr Alphandéry hails.

However, the finance minister has chosen, as the director of his private office, a Trésor official, Mr Christian Noyer, who has openly suggested that the central bank suffers from a potential conflict of interest between its job of controlling liquidity and its role of lender-of-last-resort.

Mr Jacques de Larosière, Bank of France governor, said he saw no reason to remove banks from his supervision. Mr de Larosière said the split in Germany between a Bundesbank in charge of monetary policy and a Berlin office responsible for supervising banks was more apparent than real, since the latter institution was dependent on the former.

The French Association of Banks does not have a formal view on who should best regulate its members. Most banks seem to favour the devil they know intimately (the Bank of France), rather than one they know less well (the Trésor), or not at all (in the case of some new body).

One solution, suggested by an adviser to Prime Minister Edouard Balladur, would be to leave day-to-day bank supervision with the Bank of France, with its network of 212 branches and data base on banks and their clients.

The same network enables the central bank, its officials claim, to intervene at the first sniff of trouble. They cite the fact that the Bank of France – and the Banking Commission which Mr de Larosière chairs – stepped in to inspect the Bank of Credit and Commerce International (BCCI) France in October 1990, and to forbid BCCI taking deposits from French residents in January 1991, months before that banking scandal blew up publicly.

By contrast, the Bank of France should perhaps play less of a role in the Banking Regulation Committee, of which Mr de Larosière is vice-chairman, because of the potential for divided interests. The committee sets rules which the Banking Commission enforces, among which are the level of non-interest bearing reserves which commercial banks must place with the Bank of France. "But the level of these reserves affects the central bank's profits," notes the Balladur adviser.

Thatcher attacks UK policy on Bosnia

By Ralph Atkins in London

BARONESS Thatcher last night launched a scathing attack on government policy towards Bosnia, accusing the UK and other western countries of acting like "an accomplice to a massacre".

The former UK prime minister also condemned Mr Douglas Hurd, foreign secretary, of using "terrible and disgraceful" phrases to justify not arming Bosnian Moslems. She was "ashamed" at the European Community's reluctance to intervene.

Her ferocious outburst provoked an angry reaction from ministers and looked set to fracture the fragile unity within the Conservative party over action against Bosnian Serb aggression.

Mr Malcolm Rifkind, defence secretary, accused her of "emotional nonsense" and said arms for Bosnian Moslems, "would be used to prolong the conflict".

If the west armed one side, Russia might decide to help the Serbs, he said.

Most Tory MPs have so far been reluctant to see British troops further involved in the conflict – and Mr John Major has won a consensus within the party for a policy based on providing humanitarian aid and urging a negotiated peace settlement.

Speaking on BBC television, Baroness [formerly Mrs Margaret] Thatcher said: "We can't go on with this policy – namely feeding people but leaving them to be massacred." United Nations resolutions should be overturned, she said, so the Bosnian Moslems could arm themselves.

Mr Douglas Hurd, who was last night travelling to Japan, has previously said such a policy would lead to a "level killing fields".

But Baronness Thatcher responded: "I thought it was a terrible and disgraceful phrase. There is a killing field now where the innocent haven't the requisite arms properly to defend themselves."

A policy of arming Bosnian Moslems should be backed up with air cover and possibly ground attacks, she said.

Quiet at the front: A Bosnian Serb soldier, wearing a traditional hat, passed his time reading yesterday as the ceasefire around the Moslem town of Srebrenica, which he is helping to besiege, appeared to be holding. His comrade chose to clean his gun

Colourful commander in Bosnia not being punished, says Léotard

Recall of Morillon sparks row

By Alice Rawsthorn

MR François Léotard, the new French defence minister, yesterday sparked a political row by stating that he planned to recall General Philippe Morillon, the colourful commander of the United Nations' peace-keeping force in Bosnia.

The defence minister said on French radio that Gen Morillon, who is fêted as a folk hero in France, would be given a senior military post on his return. "His human and professional qualities merit an important command," Mr Léotard said.

But United Nations officials in New York said they had heard nothing from France about the possible replacement of Gen Morillon.

A spokesman said troop rotations were normal within the UN force "and certainly, as a French officer, the desires of his government would be important in this regard". But, he added: "We still have received nothing from the government of France regarding his replacement or a desire to replace him. And to my knowledge the secretary-general has not been in touch with him."

In Paris, Mr Léotard denied that the general was being punished for much-publicised personal initiatives in Bosnia, particularly his recent mercy mission to Srebrenica aimed at opening the way to relief convoys and protecting the local Moslem population from Serb attacks.

The French foreign minister has strongly denied claims that the general was being called home at the request of the Serbs

"Everyone including the prime minister and myself. . . wish to underline the absolutely remarkable nature of the action he has undertaken," Mr Léotard said.

However, Mr Léotard's announcement came only a few days after Gen Morillon had stated on French television that he planned to stay in Bosnia. He is now expected to return to France by the end of this month. "I'm amazed at the little row that has developed around this officer," Mr Léotard said, stressing that he would ask his successor to take on similar humanitarian initiatives in Bosnia.

However, the defence ministry refused to disclose who would replace Gen Morillon or when his successor would be appointed. Mr Alain Juppé, the French foreign minister, tried to defuse the controversy by stressing that the general's return was routine. "Every mission has a [terminal] date," he said. Mr Juppé denied allegations that Gen Morillon, who has been in Bosnia for 13 months – at least twice as long as any of his predecessors – was being withdrawn at the request of the Serbs.

Gen Morillon, known as "Beau Geste" in France after the swashbuckling fictional Foreign Legion officer immortalised by the English novelist P.C. Wren, is a controversial figure both in France and abroad.

His admirers praise him for his courage in daring exploits such as his defence of the Srebrenica Moslems. But his detractors see him as a publicity-seeking egoist, claiming that his disregard for military procedure has caused serious problems for the rest of the UN operation in Bosnia.

● The United Nations aid airlift to Sarajevo will resume on Thursday after a five-day suspension imposed due to a threat from Serb anti-aircraft guns, a UN relief spokesman said yesterday, Reuter reports from Sarajevo. The UN has scheduled 18 flights between Sarajevo and the Croatian port of Split and the Italian port of Ancona.

Report to veto ERM reforms

SENIOR EC central bankers and treasury officials were yesterday putting the finishing touches to their report on the workings of the European exchange rate mechanism, writes Andrew Hill in Brussels.

The EC's monetary committee, meeting in Brussels, is expected to present its analysis and recommendations to finance ministers at a three-day informal council which begins on May 21 in Denmark.

The committee was asked to examine the workings of the exchange rate grid following last September's currency crisis, during which both sterling and the lira were forced out of the ERM. Yesterday's meeting was held, as always, in secret, but the committee is expected to recommend that there should be no fundamental reform of the system – in spite of calls from member states, notably Britain, that alleged "fault-lines" in the ERM should be treated.

Instead, the monetary experts believe existing rules – for example, those which allow for more frequent technical realignments of European currencies – should be applied more strictly, and earlier, to avoid speculative pressure on member currencies.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 6000 Frankfurt am Main 1, Germany. Telephone 49 69 156 850, Fax 4969 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 6078 Neu-Isenburg 4. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41. Fax 33 93 53 35.

Miners refuse to cheer for Yeltsin

By Gillian Tett in Novokuznetsk, Siberia

THE Russian president, Mr Boris Yeltsin, yesterday failed to secure the propaganda victory he sought in his first provincial visit ahead of the April 25 national referendum.

With his campaign appearing lacklustre and his reception in the Siberian mining town of Novokuznetsk distinctly lukewarm, the trip did little to convince onlookers that he had the enthusiasm for the political fight ahead.

Barely a few thousand people turned out to line the streets of the town, part of the Kuzbass region which encompasses 100 mines.

Mr Yeltsin no doubt still has the support of the region, which has long a been a bastion of support for him, but the president was yesterday greeted with a barrage of strident demands both from miners and regional leaders.

Regional leaders, concerned about the future of the region's coal industry, are demanding both fresh subsidies and greater economic autonomy from Moscow. Local miners are furious that their salaries, once among the highest in the region, have been eroded by inflation.

In a stuffy hall, packed with 400 miners, Mr Yeltsin announced that one of the largest mines in the area would embark on an experimental programme of partial privatisation, with 38 per cent of the mine's ownership to be passed from the state to the mine next month. Until now, the privatisation programme has barely touched the mining industry.

However, Mr Yeltsin insisted that he could not free the price of coal, which is currently partly controlled by the government.

"If we did that, it would lead to a social explosion," Mr Yeltsin said. The miners responded politely but without real conviction.

Mr Vladimir Lavrik, director of the Abashaskaya mine, said that without further economic reform, the mining industry faced catastrophe. Mr Vachoslav Sharipov, leader of the mining unions, warned that unless further aid was forthcoming, the president could not rely on the support of miners.

"Presidents and governments come and go, but the union will remain here," he said.

He admitted afterwards that he was "disappointed" by Mr Yeltsin's speech, although he believed that most miners would still support the president in the referendum.

President Boris Yeltsin meeting miners and their families yesterday in Siberia's Kuzbass region

Japan boosts aid for Russia

By Robert Thomson in Tokyo

FOREIGN and finance ministers from the Group of Seven leading industrialised nations gathered in Tokyo last night for a two-day meeting which will attempt to secure the leadership of Russian President Boris Yeltsin by providing his country with another substantial aid package.

The pressure on Japan, as host, to give generously was reflected in a government decision to increase its planned bilateral assistance from $1.2bn to $1.8bn (£1.2bn) which includes trade insurance, humanitarian aid, and technological assistance to the Russian nuclear industry.

Japan's assistance is expected to be announced today in an address by Mr Kiichi Miyazawa, the prime minister, who has made clear to other participants that Tokyo will not formally raise the contentious issue of the Kurile Islands.

The islands, which were occupied by Soviet troops in 1945, are claimed by Japan.

Apart from Russia, foreign ministers are expected to discuss the United Nations peacekeeping operation in Cambodia, threatened by increasing violence, and the continuing conflict in Bosnia. They are also expected to discuss North Korea's announced pull-out from the Nuclear Non-Proliferation Treaty.

Finance ministers will hold their first session this afternoon, and discuss the state of the international economy. Mr Yoshiro Hayashi, Japan's finance minister, intends to explain the stimulatory package announced yesterday and hopes to prompt discussion on the rapid appreciation of the yen.

But Japanese officials expect that the US and other G7 members will have little sympathy for Tokyo's concerns that the yen's movement could put extra pressure on the country's export industries. Instead of focusing just on the yen's rise, Japanese officials plan to argue in favour of "currency stability".

Bilateral meetings with Mr Andrei Kozyrev, the Russian foreign minister, will be held by individual countries today, but the group discussion of assistance to Moscow is scheduled to begin tomorrow morning.

It is expected that a final package will total around $36bn, but that figure includes already negotiated debt relief and credit extensions from the International Monetary Fund.

Mr Kabun Muto, Japan's foreign minister, said yesterday that the quality of aid was important. He intends to emphasise the need for increased assistance for the restructuring of Russian companies and will reflect Tokyo's concerns about pouring large, poorly targeted amounts of money into a "black hole".

Meanwhile, Mr Warren Christopher, the US secretary of state, said the ministers had come to Tokyo on a "noble mission": "That is, to determine how the world's industrialised democracies can best unite together to support the historic struggle of the Russian people to build a free society and a vibrant economy."

Japan's economic package, Page 4

Doubt thrown on Start-2 approval

By Leyla Boulton in Moscow

THE Start-2 disarmament treaty became the latest political football in Russia's pre-referendum electioneering, when Mr Ruslan Khasbulatov, parliamentary speaker, yesterday said deputies would not ratify it until the foreign minister was sacked.

"First of all this treaty should be submitted by a minister of foreign affairs who enjoys the respect and trust of society. As long as there is no such minister, I think it is absurd to even talk about Start-2," he said.

Mr Andrei Kozyrev, the foreign minister, one of the architects of the treaty slashing US and Russian nuclear arsenals, is hated by conservatives for his pro-western policies.

■ The Georgian leader, Mr Eduard Shevardnadze, and Ukrainian President Leonid Kravchuk yesterday signed a friendship and mutual assistance treaty in Kiev with the clear intention of forming a political front against Russia, writes Chrystia Freeland in Kiev.

Mr Shevardnadze said Ukraine had agreed to act as a peacekeeper in the Georgian region of Abkhazia, where government forces are fighting separatists. He added that Ukraine and Georgia might co-operate in producing armaments and training soldiers.

Little comfort for Moscow in Cossack land

Chrystia Freeland finds dismay and yearnings for autonomy

IN MOSCOW, the on-going struggle between Russian president Boris Yeltsin and the Congress of People's Deputies is often painted as a showdown between the forces of good – Mr Yeltsin and his reform team – and the forces of evil – the ex-communist legislature.

But along the fertile banks of the Don river, once home to the free-booting Cossacks who defended Imperial Russia's periphery, the contest, and the referendum on April 25, which is meant to decide its outcome, are cast in a different light.

"All that the referendum represents is a choice between Bolsheviks and Communists," says Vladimir Dzhanibekov. "They are all from the old system and are merely fighting among themselves for power."

A 32-year-old private businessman dressed in the leather jacket, blue jeans and Reeboks of Russia's *nouveaux riches*, Mr Dzhanibekov represents what should be Mr Yeltsin's key constituency – the nascent bourgeoisie.

But, like many of the citizens of Rostov-on-Don walking past the city's Lenin statue on their way home from work, Mr Dzhanibekov is so disgusted by his country's politics that he does not intend to vote.

The same disenchantment prevails amid the emerald green fields of winter wheat in the Rostov region countryside.

"I will vote for anyone but Yeltsin," says Mr Alexander Martynenko, the 52-year-old head of one of the work teams at the "Illych's [as in Vladimir Illych Lenin] Testament" farm 50 miles south of Rostov-on-Don. "All that presidential rule has given us is a new layer of bureaucrats who are like blood-suckers on the people."

Even Yeltsin supporters no longer display the enthusiasm which inspired 70 per cent of Rostov-on-Don's eligible voters to back Mr Yeltsin in the presidential elections 18 months ago.

Irina, a smartly dressed 21-year-old accountant in the municipal government, says: "I will probably vote for Yeltsin. He is the best of two evils."

This pervasive disillusionment is bad news for Mr Yeltsin. Earlier this month Mr Yeltsin dropped plans to hold his own plebiscite and agreed to face a much tougher referendum set by the congress. The congress's poll includes one potentially crippling condition: to win, Mr Yeltsin needs the support of 50 per cent of registered voters, not just a simple majority.

The mood in Rostov-on-Don, which ranges from outright hostility toward Mr Yeltsin to lukewarm support, suggests the Russian president may be unable to clear the congress's hurdle.

This is a possibility which Mr Mikhail Gaychuk, deputy head of the regional legislature, forecasts with evident glee.

"I think that there will not be a high enough voter turnout to give the referendum legal validity," Mr Gaychuk said, sitting beneath a black-and-white portrait of Lenin. "And if the referendum is not valid, the congress will be proven right and Mr Yeltsin will have thrown money to the winds."

One flight of stairs away, in the massive white building which houses the various layers of government in Rostov *oblast* (province), Mr Vladimir Chub, head of the regional executive and thus a Yeltsin appointee, is rooting for the president.

Mr Chub thinks that Mr Yeltsin can win the required support of 50 per cent of eligible voters – but only if a massive election campaign is launched immediately.

Yet even Mr Yeltsin's man on the Don poses a potential threat to Moscow. A proud descendant of the Cossacks, who ran the region through their own social and political structures before 1917 in exchange for fighting for the Tsar, Mr Chub sympathises with the demands of modern Cossack organisations for greater local autonomy.

Mr Chub thinks that Rostov *oblast* should be granted the same rights accorded to the autonomous republics which make up the Russian federation.

This bid for regional devolution of power could, in the long run, be even more dangerous for Mr Yeltsin than a defeat in the referendum.

Local leaders are aware that they possess a powerful bargaining chip. Rostov *oblast*, which produces between 7m and 8m tonnes of grain annually, is Russia's leading supplier of grain. Since the collapse of the former Soviet Union, which deprived Russia of control over Ukraine and Kazakhstan, its traditional granaries, Rostov's fertile steppes have become more critical than ever.

If grain is Rostov's trump card, the Cossacks are the regional wild card. According to Cossack activists, nearly 2m young men in southern Russia have registered as Cossacks. In the spirit of their warrior ancestors, these modern Cossacks have rushed to the armed defence of Russians against non-Slavs in hot-spots such as the Trans-Dnestr region of Moldova.

At home in Rostov-on-Don, they strut through the streets sporting the wild moustaches favoured by Cossacks of old and tsarist uniforms. Public sentiment in the riverside town is decidedly hostile toward these gun-toting, vodka-swilling defenders of the Orthodox faith.

But they appear to have struck a chord with Mr Yeltsin, who last month issued a presidential decree recognising Cossack organisations. The decree was promptly struck down by the congress.

As a result, the Cossacks say they will back the president in the referendum. But it is another reason some citizens of Rostov-on-Don cite when explaining why they plan to vote against Mr Yeltsin.

Japan package well wrapped, but is it the goods?

Large and impeccable in its timing, the quality is nonetheless open to debate, writes **Robert Thomson**

WHEN the Japanese government unveiled its economic package yesterday to a fanfare of surging stock prices, there were broad smiles of self-satisfaction among political leaders and bureaucrats.

They had fashioned a package larger than promised, and delivered it just as two senior US officials landed in Tokyo for a meeting of the Group of Seven leading industrial countries.

Japan is often criticised for getting the timing of its big announcements wrong, as a sluggish bureaucracy works in its own, isolated time zone. But the timing of yesterday's announcement, politically and economically, could not be faulted, prompting Mr Kiichi Miyazawa, the prime minister, to declare that the period of economic decline was over.

However, the quality of the package's content is open to debate, and the finance ministry's forecast that the Y13,200bn (£76bn) in spending and tax concessions will produce an extra 2.6 per cent of nominal gross national product growth is certainly questionable.

The Sakura Research Institute estimates that it will add 1.2 per cent, Dai-Ichi Kangyo Bank 1.3 per cent and Baring Securities 0.8 per cent – and "that's generous".

Mr Yasushi Mieno, governor of the Bank of Japan, has repeatedly suggested that the economy is weighed down by sluggish consumer demand and corporate capital investment. And the finance ministry, which agreed on the final total after a hard night's negotiation with the ruling Liberal Democratic Party, admits that there is not much direct stimulation in those areas.

There is Y520bn in extra funds to government-affiliated institutions for the promotion of private equipment investment, and a tax concession for home buyers, who will have the maximum amount of deductible loan repayments lifted by 20 per cent.

But a cut in income taxes was not included, and a finance ministry official said that there is no prospect of a tax cut this year.

Most Japanese manufacturers are in the midst of restructuring, in particular, cuts in capacity and a trimming of bloated workforces. They have limited room for an increase in capital spending, which was highlighted by a 15.9 per cent year-on-year fall in private machinery orders in February.

Nevertheless consumers appear to have the means but not the confidence to increase spending, as was shown by a 6.1 per cent fall in department store sales during February.

On hearing of the package's contents, the Japan Department Stores' Association said the absence of a tax cut was "very disappointing", and final demand was likely to remain weak for the indefinite future.

Other business groups were more enthusiastic. The Association of Corporate Executives said the "economy has already shown signs of recovery and the package will ensure that recovery".

The Federation of Employers' Associations said the timing, coming immediately after the passing of the 1993 budget, was ideal, and would stimulate demand.

The euphoria surrounding the announcement yesterday, combined with the stock market's recovery, have also given LDP officials the impression that the immediate economic future is bright. But a separate set of Bank of Japan loan figures for March released yesterday suggest that, instead of providing a quick fix, the package will be part of a long-haul recovery.

> Bank of Japan loan figures for March released yesterday suggest that, instead of providing a quick fix, the package will be part of a long-haul recovery

Outstanding commercial bank loans expanded by only 1.3 per cent in March, the slowest growth on record, and a sign that banks are either wary of fresh lending or that corporate demand for funds is still in decline. The most likely explanation is a mix of both causes. Private economists expect money supply, which expanded by 0.2 per cent in February, to shrink again in March.

"The economy is bumping along the bottom," said Mr Geoffrey Barker, economist at Baring Securities. "The package will help, but you are not going to see all the growth this year, and a lot of the money is recycled rather than new. But the increase in funds for the Housing Loan Corporation will make a difference."

The Housing Loan Corporation provides a third of all mortgages in Japan, and the package increased the funds available this year from Y7,283bn to Y9,253bn, and provides for a reduction in interest rates from 4.3 per cent to 4.1 per cent. At the same time, Y1.6bn in land for public projects will be purchased ahead of schedule.

It is expected that the lending measures will increase demand for new homes, but the package will provide little assistance to banks, burdened with about Y30,000bn in bad property loans – most of which are linked to speculative developments outside the range of the Housing Loan Corporation.

In presenting the package, the finance ministry suggested that almost all the funds were "fresh water", but the reliance on the Fiscal Investment and Loan Programme (FILP), funded by postal savings, for about Y4,900bn of the total means that much of the money is being recycled more quickly rather than genuinely fresh.

The combination of FILP funds, which would otherwise be used for government bond purchases or for loans to government financial institutions, and funds to be provided by local governments totals Y6,900bn, leaving the central government to muster the remaining money. Finance ministry officials said construction bonds were likely to be used to fill the gap.

But the use of construction bonds, which are supposed to be used only for infrastructure spending, raises awkward questions about spending for "social infrastructure", listed at Y1,150bn.

US officials will be told that US companies could provide this infrastructure, which apparently includes supercomputers and other sophisticated electronics, though construction bonds are not supposed to be used for such equipment.

See editorial comment

Officials keep a wary eye on the bubble

By Emiko Terazono in Tokyo

IN OTEMACHI, Tokyo's business centre, office workers crowded around a stock price board in a Yamaichi Securities branch yesterday as the Nikkei average closed above the psychologically important 20,000 mark for the first time in over a year.

The renewed enthusiasm for stocks coincided with the release of the government's emergency package yesterday, and the talk now is not how far the Nikkei average will fall but how much it will surge in coming days.

However, the sudden change in sentiment has a dark side.

Apart from sending most issues flickering higher on the electronic boards in brokerages around the country yesterday, the package has also intensified concern over the possibilty of a resurgence of an asset "bubble" last seen in the late 1980s.

Government officials claim that they are keeping close watch over any signs of an asset bubble.

"We've formulated the package after closely reviewing what happened in 1986," said Mr Yoseki Nagase, director general at the Economic Planning Agency.

The comparisons, however, are compelling.

Interest rates then were cut to historical lows, and a Y6,000bn (£35bn) emergency economic package was introduced in 1986 to help companies recover from a strengthening yen.

But Mr Nagase argues that the current economic background is very different from the mid-1980s, when money supply was posting double digit gains and stock and property prices were also surging. "Capital investment and consumer demand will not be able to recover without assistance," he added.

However, the latest stimulatory package comes at a time when some analysts believe that some statistics have indicated a bottoming out of the economy.

A 23 per cent rise in the stock market over the past two months has restored confidence in the country's brokers, who are now urging investors to return to the market or risk missing out on a the chance of making a quick profit.

> Release of the government's emergency package yesterday prompted talk not of how far the Nikkei average will fall but how much it will surge in coming days

The recovery in share prices will aid Japanese companies, which have been forced to write off losses on their stock portfolios.

According to stockbrokers Kleinwort Benson in Tokyo, a 15 per cent rise in the stock market theoretically creates about Y45,000bn of financial wealth.

With the stock market higher, the package may help inflate property prices, another "bubble" characteristic.

The package includes a total of Y1,600bn to be pumped into the property market through advance land purchases for publics works.

Limits on housing loans provided by quasi-governmental housing loan organisations will now be raised, while lending rates on the loans will be lowered.

There are also fears of overheating due to a bunching of the government's infrastructure projects.

The full effects of the public works projects from last August's Y10,700bn emergency package have yet to be felt fully, as the government expects the bulk of the projects to be started in this financial year.

Additionally, the government intends to front-load 75 per cent, or Y12,208bn worth, of public works contracts for the current year's usual budget into the April-June quarter.

While government officials flatly reject suggestions of another asset bubble emerging, they admit that they are also aware of the implications of low interest rates and large fiscal stimulus.

"But we are able to learn from experience," said Mr Nagase.

"In the 1970s we managed to handle the second oil shock from our experience of the first one."

Japanese trade surplus for 1992 rises to $111bn

By Robert Thomson in Tokyo

JAPAN'S trade surplus for fiscal 1992, which ended last month, rose 26.2 per cent to $111.34bn (£73bn) as the slowing of the economy led to weaker demand for imports and a widening of the country's bilateral surpluses with the European Community and the US.

The Japanese government is hoping that yesterday's announcement of a new stimulatory package will defuse criticism of the surplus. However, finance ministry officials admitted that import demand is unlikely to recover quickly in the coming months.

Japan's customs-cleared imports from the US fell 2.4 per cent to $52.3bn, while exports to the US were 7 per cent higher at $98.4bn. Exports to the EC rose 2.9 per cent to $61.5bn and imports from the EC were down 2.6 per cent at $30.5bn, while total exports were 7.4 per cent higher and imports grew 0.3 per cent.

The surplus had peaked in 1986 at $89.7bn, falling to $54.3bn in 1990, but it has expanded rapidly over the past two years as the domestic economy stalled, creating international pressure on the government to rekindle growth.

But the expansion is not over yet. For the month of March, the surplus increased 26 per cent to $13.78bn, after a 15.4 per cent rise in exports and a 9.4 per cent lift in imports.

Seasonally adjusted, the surplus was $9.98bn, down from $10.19bn in February.

The Ministry of International Trade and Industry (Miti) said that the yen's appreciation was responsible for much of the increase, as the average yen-dollar rate last month was Y117.84 compared with Y130.78 last year. Yen-based exports were only 4 per cent higher during the month, and imports were 1.1 per cent lower than a year earlier.

Japanese officials are concerned that the recent rapid appreciation of the yen will push the surplus higher over the next couple of months, before yesterday's package has time to take effect. They are also conscious that the new US administration may see a continuing rise in the surplus as a sign that Japan must be pressed for further market-opening concessions.

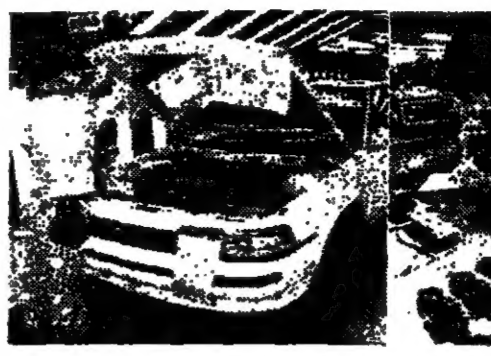
The figures reflect the changing patterns of Japanese trade.

Exports to China during the year were 36.4 per cent higher and imports from that country expanded by 20.1 per cent, while exports to Russia fell 35.8 per cent and imports were down 21.5 per cent.

The China boom continued during the month of March, when exports from Japan rose 57.1 per cent on the same month last year, and imports were 32.3 per cent higher, lifting that country above Taiwan and South Korea among Japan's trading partners, and putting it second only to the US.

During March, exports of transport machinery, mostly cars, rose 23.5 per cent and those of general machinery were 15.4 per cent higher. The strongest import growth was in mineral fuels, up 15.8 per cent, and machinery, up 10.4 per cent.

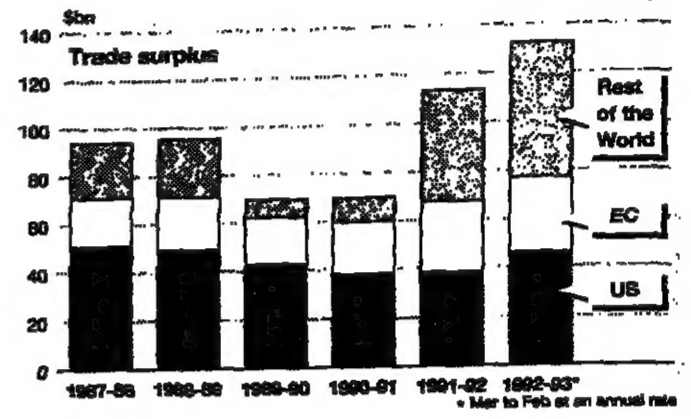
Japan: making adjustments

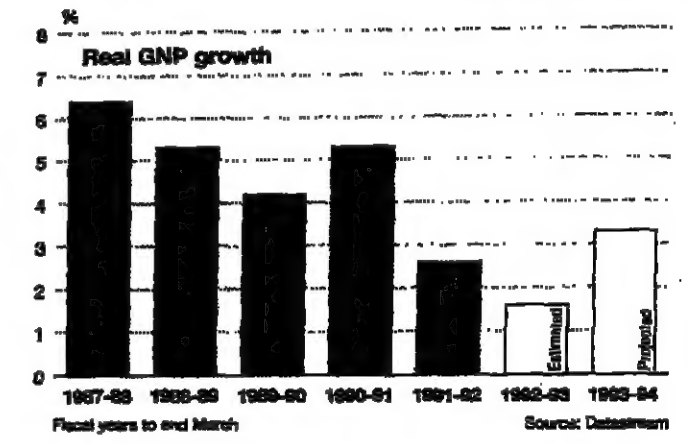


The economic package's size and effect

	April 1993 measures (Ybn)	August 1992 measures (Ybn)
Increase in public investment		
Public works	4,170	4,450
Investment in education & social welfare	1,150	550
Investment by local government	3,600	2,800
Housing loans	1,800	800
	10,620	8,600
Lending by financial institutions		
Measures for small and medium-sized firms	1,910	1,200
Promotion of private equipment investment	520	900
	2,430	2,100
Total	13,050	10,700
Multiplier effect in per cent of GNP	2.6%	2.4%

Source: Ministry of Finance





Tokyo share traders gesticulate as the Nikkei soars above 20,000 on news of the government's economic stimulus yesterday

Tokyo polishes trade defence

By Michiyo Nakamoto and Emiko Terazono

AS senior US officials arrived in Tokyo yesterday, the Japanese government was preparing its defence on trade and proudly displayed yesterday's fiscal stimulus package.

The massive US trade deficit with Japan has kept American politicians, industrialists and academics busy debating a variety of measures to deal with the problem. Mr Warren Christopher, US secretary of state, yesterday said Japan needed to commit itself to solving individual trade issues.

His comment reflects the favoured approach in Washington lately, which has been for the US and Japan to set quantifiable import targets for specific market sectors. However, Japan has been arguing for a macro-economic approach to reducing its trade surplus.

Mr Lloyd Bentsen, US treasury secretary, in Tokyo for the G7 meeting, acknowledged Japan's efforts to stimulate domestic demand for foreign products, but added that the country was in a good position to be able to do a great deal in spurring economic growth because of its sound fiscal position and huge external surplus.

In reply, Japan's trade ministry claimed that the package would boost faltering domestic demand and reduce the trade surplus. Mr Noboru Hatakeyama, vice-minister for international affairs at the Ministry of International Trade and Industry (Miti) said: "If the US is concerned about the trade imbalance, I think the economic package of this size will be enough."

Aside from trying to support demand through public investment projects, the package includes measures to promote imports by cutting interest rates on loans by public financial institutions for sales of imported goods. Limits on loans to foreign companies by the Export Import Bank of Japan are to be raised and the government also pledged procurement of foreign products for facility investments.

The government said the measures could boost the country's imports by more than $8bn (£5.9bn). It has also tried to assure the US that foreign manufacturers would get a fair share of the new public procurement.

However, Japan has been careful not to set a fixed goal for public purchases of foreign goods, and Mr Hatakeyama said the government's purchases would be determined by open bidding. "Although many import-friendly items are included in the government procurement plan, there is absolutely no room for us to agree to the 'goal' approach because it leads to misunderstanding and managed trade," he said.

Lloyd Bentsen, US treasury secretary, arrives in Tokyo yesterday

Japan's frictions over the semiconductor arrangement with the US prompted its cautious stance towards quantifiable targets. In the semiconductor arrangement the two countries agreed that the US expected to see the foreign share of the Japanese semiconductor market rise to 20 per cent by the end of 1992. While Japan insisted that the market share figure was no more than an expectation, the US side interpreted it as a commitment by Japan.

Meanwhile, the Japanese government claimed that a factor which would offset its efforts to boost the economy was the further strengthening of the yen. The US is seen to favour a higher yen to reduce Japan's exports, but Mr Hatakeyama warned that an excessively rapid rise would reduce the impact of the economic measures. Although Japan was in a position to accept the long-term appreciation of the yen, "too drastic an appreciation of the yen is not good for our economy," he said.

Nigeria acts to forestall poll unrest

By Paul Adams in Lagos

NIGERIA'S ruling military council has postponed removal of the fuel price subsidy, due on June 1, to avoid unrest in the run-up to presidential elections on June 12.

A cut in the subsidy is seen as vital for an agreement with the International Monetary Fund, which began its mission to Nigeria yesterday.

The postponement is a setback for the civilian Transitional Council, which has pledged to cut the budget deficit to help get an early IMF agreement, a pre-condition for rescheduling the country's external debt.

The move follows persistent threats of strikes and riots. An official statement after a weekend meeting at the federal capital of Abuja said there would be "no new pricing of petroleum products" on June 1. "The government remains committed to ensuring that nothing is done to impede the progress of the transition" to elected civilian rule, it added.

The meeting was chaired by President Ibrahim Babangida and included his Vice-President, Admiral Augustus Aikhomu, as well as General Sani Abacha, defence minister, Mr Ernest Shonekan, leader of the transitional council, and Mr Philip Asiodu, oil secretary.

Mr Shonekan, one of Nigeria's leading businessmen, has been frustrated in his attempts to instil fiscal discipline, achieve a market rate for foreign exchange and stimulate private sector investment.

Hopes raised by the 1993 budget and other policy statements have turned to disillusionment, as Mr Shonekan appears powerless to resist military intervention in his reforms.

The proposed rise in fuel prices by more than 500 per cent to import parity was also designed to halt smuggling and provide money for maintenance of refineries and distribution systems.

Fuel shortages, which have afflicted the north for weeks, spread to the commercial capital, Lagos, over the weekend when a fire closed a depot.

Petrol riots are not the only potential threat to peaceful civilian handover. Allegations of misconduct at last month's election of presidential candidates have rekindled demands that the handover be delayed for the fourth time in three years and the National Electoral Commission has made the elections conditional on its screening of presidential running mates, yet to be chosen by the two Moslem candidates.

Tension between Moslems and Christians in the north have risen since military courts sentenced more than a dozen Christians to death over religious riots last year.

Hong Kong travels down a familiar path

Simon Holberton reports on the sense of déjà vu over Patten's plans for electoral reform

IT IS possible, just possible, to interpret yesterday's announcement of Sino-British talks on Hong Kong's political future as a victory for Mr Chris Patten, the colony's governor.

China backed down on its pre-condition that his package of proposals for the colony's 1994-95 elections be dropped before talks could begin. It also appears to have backed down on its objection to Hong Kong government officials being members of the British team.

By standing firm on these "principles", Mr Patten may have won concessions from a government which does not concede ground lightly. But then again, he may not.

The prospect of talks is not one which fills many in the Hong Kong government with confidence. Hong Kong has been down this road before and, if the past is a guide, the future could be bleak.

"To quote Samuel Goldwyn, 'it feels like déjà vu all over again'," one official noted yesterday. Another spoke of the "crimp and mire" of talks.

The Chinese government wants these talks, much more than Mr Patten does, for a number of reasons. The most important is that talks re-establish the precedent of China and Britain deciding the fate of Hong Kong.

The thought of Mr Patten's plans for a more democratic method of electing members to the Legislative Council (LegCo), the colony's law making body, being decided by LegCo alone filled Beijing with dread. It would have established a precedent, just four years from the transfer of sovereignty, of Hong Kong deciding something without the blessing of its future sovereign.

This fear, on China's part, is perhaps Mr Patten's strongest card in his otherwise rather weak hand. He can, if the negotiation appears fruitless, take his leave and present his package to LegCo. The Chinese, once bitten by Mr Patten's "surprise" decision to gazette his legislation on March 12, are, however, likely to be twice shy. They will not easily provide him with reason to withdraw.

The talks also put the issue into a forum in which China has displayed mastery in the past. One only has to look at the Hong Kong's long drawn out attempt to build a new airport to see that China is the master of fudge and delay if it does not get what it wants.

> HK has been down this road before and, if the past is a guide, the future could be bleak

A memorandum of understanding, signed by the UK and Chinese prime ministers in September 1991, has been shown to be worthless in the face of a greater Chinese interest, namely, demonstrating its control over Hong Kong. The prize China can dangle in Britain's and Hong Kong's face is its final approval for the airport if London and Beijing can reach a binding agreement.

Chris Patten, Hong Kong Governor, (left) meets the press at the British Foreign Office yesterday. With him is Alastair Goodlad, foreign office minister

China also knows that it is in the nature of a negotiation that the position stated at the beginning is rarely the one prevailing at the end. The British position is well known.

The two central elements of Mr Patten's package are: an electoral college, which will return 10 members of LegCo in 1995, which consists of democratically elected local officials; and nine "functional" constituencies which would be elected by Hong Kong's working population of 2.7m.

What is much less well known is China's position. Aside from heaping derision on Mr Patten for his "three violations" – China claims Mr Patten's blueprint runs counter to the 1984 Sino-British Joint Declaration, the 1991 Basic Law, and a series of exchanges between foreign ministers in early 1990 – Beijing has yet to deliver itself of its proposals for the 1995 polls.

The talks will hinge, therefore, on two factors: what proposals for the 1995 elections Beijing brings to the table, and whether it is able to accept the deadline for enactment of enabling legislation by the summer, or autumn at the latest.

Mr Patten's public remarks suggest that he believes China wants to rig the election. He has trumpeted in Brussels and London over the past week his determination to see elections that are "clean" – a condition he has made synonymous with Britain's national honour.

China has never much been concerned with British honour. But what Mr Patten has to hope is that Beijing has an interest in settling the issue on reasonable terms, and on that he would not be wanting to bet very much money.

S Africa braced for mass strike

By Patti Waldmeir in Johannesburg

SOUTH AFRICA braced for potential violence during today's planned mass strike called by the African National Congress to mourn the weekend assassination of guerrilla leader Mr Chris Hani.

Obviously worried by the risk of violence, the largest employer organisation, the South African Chamber of Business (Sacob), issued an unusually conciliatory statement urging employers to handle the tense situation with sensitivity. A Sacob official urged no disciplinary action be taken against employees failing to attend work.

"An understanding attitude on the part of employers can contribute to the maintenance of stability and lessening of tension. Employers should be flexible in applying the "no-work, no-pay" principle today the organisation said, pointing out that the stayaway could mean employees would be unable to attend work for lack of transport.

Yesterday, the first day of the ANC's planned campaign of "rolling mass action" passed off tense but with little violence, though there were incidents of unrest in the eastern Cape. Police declared many parts of the province "unrest areas," involving night curfews and a ban on weapons. However, they reported no deaths and said the situation was under control.

A small demonstration was held outside the Boksburg magistrate's court where the alleged assassin, Mr Janusz Walus, appeared. He was remanded in custody until May 12.

In another South African court, charges were withdrawn against 27 of 74 men accused of involvement in last year's Boipatong massacre, another big political event which led to a nine-month suspension of constitutional talks. Dismissal of the charges against these men could exacerbate angry reaction to the Hani assassination.

Police are to deploy 28,000 men to maintain order during today's strike.

NEWS IN BRIEF

Rabin set to make concession on talks

MR Yitzhak Rabin, the Israeli prime minister, is expected to tell President Hosni Mubarak of Egypt today that Israel is prepared to allow a prominent Arab resident of Jerusalem to participate in a Palestinian delegation to the Middle East peace talks, Judy Maltz reports from Jerusalem.

The Israeli and Egyptian leaders will hold a one-day summit in Ismailia, where discussions will focus on ways of reviving Middle East peace talks, stalled since December, when the Jewish state expelled 415 Palestinians to South Lebanon.

Israel is hoping its decision to allow Palestinian leader, Faisal al-Husseini, a resident of East Jerusalem, to participate will convince the Palestinian delegation to drop their ultimatum that all the deportees be repatriated before it returns to negotiations. The next round of talks has been scheduled to be held in Washington on April 20, although none of the Arab countries nor the Palestinian delegation has yet confirmed their participation.

Reuter adds from Tyre: Pro-Iranian guerrillas killed three Israeli soldiers in a bomb ambush yesterday in the worst blow against Israeli forces in Lebanon in six months, security sources said.

Modest rise in Indian exports

India's exports, which fell in December and January due to the disruption caused by inter-religious riots, rose in February as businessmen sought to regain lost ground, according to figures announced yesterday, Stefan Wagstyl reports from New Delhi.

However, the recovery was only moderate in scale, indicating that much of the export revenue lost in the previous two months has been lost for good, as foreign buyers found alternative sources of supply. Exports in February rose 8.1 per cent to \$1.78bn (£1.2bn) compared with the same month last year. Imports fell slightly to \$1.69bn, as companies delayed purchases of capital equipment and other supplies in anticipation of import duty cuts announced in the mid-February budget.

Vietnam denies POW claim

Vietnam yesterday flatly rejected a report suggesting that it lied over the number of American prisoners it was holding shortly before the US withdrawal from Indochina in 1973, Reuter reports before the US withdrawal from Indochina in 1973. Reuter reports from Hanoi. It also denied it was still holding any prisoners.

The issue, which flared up with disclosure of a document found in Moscow archives and said to be from the North Vietnamese army, looked likely to delay efforts to reconcile Hanoi and Washington 18 years after the Vietnam war ended. Vietnamese officials said every time a breakthrough appeared imminent in relations with the US, forces in Washington opposed to reconciliation threw a spanner in the works.

Trinidad dollar sinks after float

By Canute James in Port of Spain

THE Trinidad and Tobago dollar fell 26 per cent against the US dollar yesterday when currency markets reopened following a government announcement that the currency was being floated.

The rate, which has been fixed at 4.25 to the US dollar since 1989, is being determined by commercial banks and licensed foreign exchange dealers, according to Mr Wendell Mottley, finance minister.

The central bank said foreign reserves were "under pressure because of debt servicing obligations and flight of capital" from the country. "As long as the reserves remain low, and as long as economic activity and business confidence continues to be depressed, there will be speculation about a possible devaluation, leading in turn to capital flight," it said. An average US$200m in capital left Trinidad and Tobago every year between 1986 and 1991, it added.

The Caribbean republic's economy is 70 per cent dependent on its petroleum industry. Foreign debt stands at US$2.29bn.

Yesterday's exchange rate was agreed in advance by the government and the commercial banks, and was set slightly above that prevailing on the growing unofficial foreign currency market.

Bankers said yesterday that they expected fluctuations in the exchange rate later this week when levels of supply and demand became clear.

Mr Terrence Farrell, deputy governor of the central bank, said: "What one is striving for is a regime that is flexible, with the rate moving from day to day, from week to week, but that generally, the rate will be moving to what I call a zone of stability."

There would not be "wild and large fluctuations" as happened in other countries, he said.

Canada's provinces get the borrowing habit

Capital markets are concerned at ever-rising deficits, writes Bernard Simon

WOOD GUNDY, the Canadian securities firm, arranges regular conference calls to bring clients up to date on economic trends. The speakers at two briefings earlier this month, however, were not Wood Gundy's own economists but the finance ministers of the provinces of Newfoundland and New Brunswick.

Their presence is evidence that the 10 provinces' priority these days is to impress international capital markets, rather than woo voters with lower taxes or expanded public services.

The reason is summed up by Mr Bill Jones, director of capital markets in Saskatchewan: "More and more investors have some concerns about what is happening to the provincial credit situation." The capital markets' influence has been evident since the start of the annual provincial budget season in mid-March.

Of the five provinces which have tabled budgets so far, four (Saskatchewan, Newfoundland, Manitoba and New Brunswick) have included spending cuts.

Although Newfoundland's Liberal government faces an election next month, the budget included cuts in civil service pay, a commitment not to build any new schools and delays in construction of medical clinics.

"Once upon a time it was possible to do a budget with election goodies. We didn't have that luxury," the finance minister, Mr Winston Baker, said.

In Saskatchewan, the provincial sales tax was raised from 8 to 9 per cent. Spending on education will be trimmed by 4 per cent, and the days of free dental care for schoolchildren are over. The government promised to eliminate the provincial deficit, totalling almost C$600m (£314m) in the year to March 31 1993, within the next four years.

Similar measures are expected when the other provinces table their 1993/94 budgets over the next two months. Quebec has already asked its civil servants to accept a two-year pay freeze.

Ontario's Social-Democrat government, faced with a jump in its deficit from C$10bn to as much as C$17bn, is trying to persuade trade unions to accept pay cuts or face lay-offs.

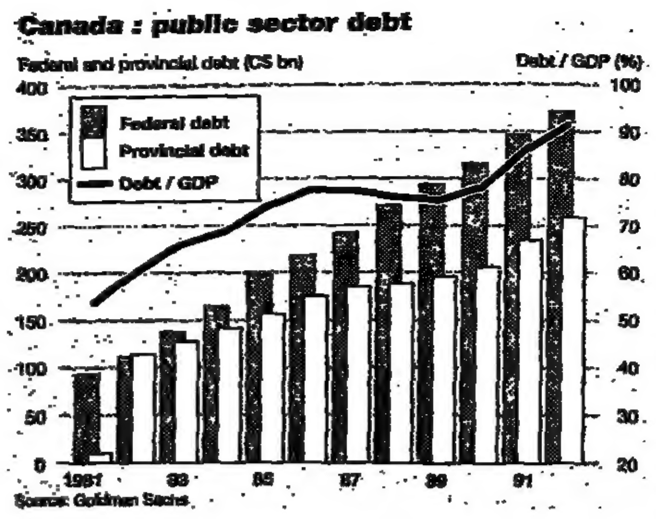
Canada's ratio of federal and provincial debt to GDP has soared from 54 per cent in 1981 to 92 per cent last year. While the provinces accounted for less than 10 per cent of the total in the early 1980s, they now make up about 41 per cent. Their combined borrowing requirements exceeded that of the federal government for the first time in the 1991/92 fiscal year.

The recession is only partly to blame for the deterioration. Growth in corporate and personal tax revenues has slowed in line with the overall economy. On the other side of the equation, demands have grown for higher spending, especially on welfare.

But Mr Stephen Dafoe, associate director at Standard & Poor's, the New York rating agency, warns that "there is a substantial component of these deficits which will not go away once economic growth resumes".

The drop in Canada's annual inflation rate to about 2 per cent means that governments cannot rely on higher prices to produce growth in sales taxes, or rising wages to push individual taxpayers into higher tax brackets. Furthermore, companies' efforts to contain the size of their workforces could hold down revenues from the payroll taxes which fund some provinces' healthcare budgets.

The new-found enthusiasm for fiscal austerity reflects a growing public awareness of the implications of a rising debt burden.



Source: Goldman Sachs

Mr John Crow, governor of the Bank of Canada, last month identified public-sector debt as a drag on economic recovery. He said that a disciplined approach to public finances "needs to continue if Canada is to generate the increased savings to finance adequately its investment needs".

Furthermore, investors in Canadian provincial bonds are demanding higher interest rates relative to other borrowers. Ontario, whose credit rating has been cut twice in the past two years, was able to sell its long-term bonds in the mid-1980s at yields of 40 basis points, or 40/100ths of a percentage point, above comparable Canadian government issues. Those bonds now trade at a "spread" of 92-93 basis points.

S&P has four provinces – Alberta, New Brunswick, Ontario and Quebec – on "negative outlook", which implies another possible downgrade within the next year or so.

While the most visible belt-tightening in the budgets consists of cuts to specific programmes and higher taxes, each level of government is trying to force the toughest decisions on to the next level down.

Provincial treasurers complain loudly about cuts in transfer payments from the federal government in Ottawa.

The provinces, in turn, are putting the squeeze on local authorities. Ontario, for instance, plans to raise its transfers to municipalities, hospitals and schools by 2 per cent in the year to March 31 1994, but to take back the entire increase the following year.

Mr Ted Carmichael, senior economist at Burns Fry in Toronto, says that Canada's tax competitiveness for foreign investors could be eroded as municipalities are forced to push up property taxes, which are not sensitive to corporate profitability or personal income.

How long the ardour for austerity will last is open to question. Last year's combined provincial deficit of C$25bn was a quarter higher than original projections.

The federal government has consistently failed to meet its deficit-reduction targets over the past eight years. This year's deficit, estimated at C$34-C$35bn, will be almost the same as it was in the year after the Conservative government came to office in 1985.

Economists believe that the only way to make a meaningful dent in budget deficits is to overhaul some of the cornerstones of Canada's social security net, such as generous welfare payments and the government-funded healthcare system. Healthcare makes up about a third of provincial spending.

Some provinces are inching towards fundamental reforms, such as introducing user fees for medical services and linking welfare payments to job training. The federal government last year eliminated cash "family allowances" paid to upper-income taxpayers. Ottawa is also eager to gain tighter control over the provinces' budget-making process.

But even in the present climate of restraint, any tampering with health and social security benefits or provincial powers carries enormous political risks. Mr Dafoe says that "one may wish to be optimistic, but political realities sometimes do not allow measures to be taken which achieve substantial results."

Collor denies role in attempted bribery

BRAZIL'S former president, Mr Fernando Collor, has denied involvement in an alleged attempt to bribe the attorney general into dropping criminal charges against him, according to Brazilian television, Reuter reports from Brasilia.

Mr Collor gave a 15-minute deposition before a federal judge on Monday, the O Globo television programme reported. A businessman, Mr Wanderley de Oliveira, has been charged in the case. "I've never even seen the man", O Globo quoted the ex-president as saying outside the hearing room. The proceedings were closed to the press.

Mr de Oliveira is alleged to have attempted to offer $50m to Mr Aristides Junqueira, attorney general, last November to drop criminal charges against Mr Collor while he was still president.

Mr Junqueira has charged Mr Collor with passive corruption and forming a criminal group as part of an alleged influence-peddling scheme. He faces trial before the Supreme Court.

The attorney general has claimed in interviews that Mr de Oliveira had told one of his aides the money was being put up by "persons employed to defend Collor". Mr Collor, 43, resigned at the start of his Senate impeachment trial in December and was replaced by his vice-president, Mr Itamar Franco.

Mr Collor's wife Rosane had also been due to make a statement to the hearing on Monday about charges that she used government money in 1991 to pay for a lavish party for her personal secretary.


Fernando Collor: deposition

Breakthrough for pooled research effort

US carmakers win patent

By Kevin Done, Motor Industry Correspondent

GENERAL Motors, Ford and Chrysler, the three US carmakers, have been awarded their first joint patent in a breakthrough for the industry's pooled research and development effort launched in 1988.

The three companies have embarked on several joint R&D programmes, which only a few years ago would have been illegal under antitrust laws, in an attempt to gain a competitive edge over Japanese rivals.

The patent has been awarded for a new process for producing vehicle components from liquid-moulded composites, which could replace the use of steel in the interior body structure of some vehicles.

Mr Don Walkowicz, executive director of the US Council for Automotive Research (Uscar), said the patent was a milestone for the industry's R&D effort. "It clearly demonstrates that domestic auto manufacturers can work together effectively to develop basic technology that will lead to better, more efficient products and enhance the competitiveness of the US industry."

Uscar was formed last year to co-ordinate the carmakers' co-operative R&D programmes. The council now has 10 separate R&D consortia covering areas such as vehicle composites, advanced battery research, occupant safety, low emissions technologies, vehicle recycling, and computer-aided design and manufacturing.

The patent awarded yesterday was granted to Uscar's automotive composites consortium. Mr John Fillion, chairman of the consortium and manager of organic material engineering at Chrysler, said the patented process would help reduce the overall weight of composite components and could improve fuel economy.

مكرر من الأصل

Russian space plans struggle to take off

By Daniel Green

THE RUSSIAN space industry has hit difficulties in its western sales drive less than two weeks ahead of the official signing of its first commercial contract, worth $36m (£23.8m).

Three obstacles to further contracts emerged yesterday.

Inmarsat, the London-based telecommunications satellite operator which is the Russians' first western customer, said the export licence for the US-built satellite scheduled to be launched on board a Proton rocket from Kazakhstan in 1995 could be a one-off.

The new administration in Washington appears keen to protect the struggling US space launch business against cut-price competition. At last week's Clinton-Yeltsin summit in Canada, the talk was of co-operation at a scientific, rather than commercial, level.

At the same time Russia has not yet established whether it will be able to make commercial use of the former Soviet launch base at Baikonur in Kazakhstan.

Mr Dmitri Poluhin, director general of DB Salyut, which designs the Proton, the commercial launch vehicle, said yesterday that Russian President Boris Yeltsin would hold talks next month with Mr Nursultan Nazarbayev, president of Kazakhstan, over the base.

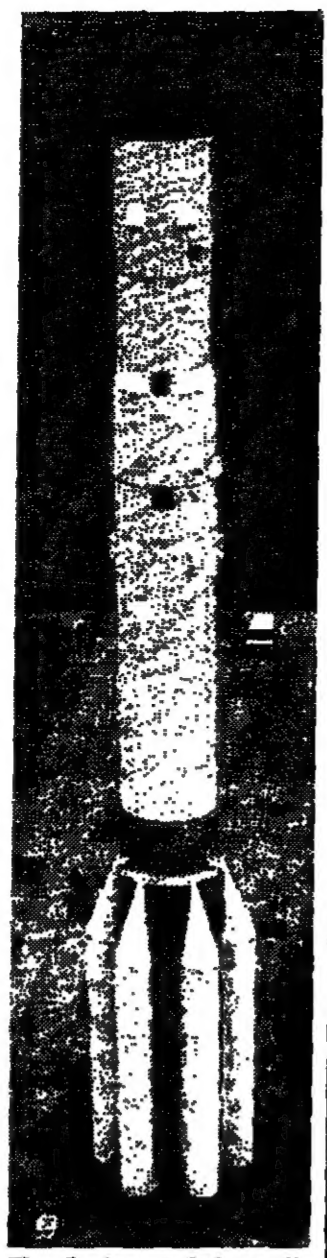
Finally there have been differences between DB Salyut and Khrunichev, which builds the Proton, over their dealings with the west.

Mr Poluhin said DB Salyut was the senior partner and would be signing the contract with Inmarsat. But he conceded that Khrunichev had bypassed DB Salyut and dealt directly with Motorola of the US over three Proton launches for a planned global mobile telecommunications network.

Mr Poluhin said he expected Motorola to deal with DB Salyut but had no sign yet of an approach.

The confusion was underlined by Mr Olof Lundberg, Inmarsat's director general. He said the precise costs of the Russian launch had not yet been established, and would probably be only slightly cheaper that the $62m charged by the market leader, Arianespace.

The Russian space industry dwarfs that of the west. Its potential to charge low prices for reliable launches has raised hopes that it could be a significant hard currency earner. But this has alarmed western rivals, especially in the US where recent launch failures have triggered a rise in space insurance premiums. Insurance already costs satellite owners more than £300m a year.



The Proton rocket on its launch pad in Kazakhstan

Nafta tremors shake Canadians

By Bernard Simon in Toronto

A LABOUR dispute at an Ontario factory owned by Nestlé, the Swiss food and beverage group, has underlined the pressures on Canadian manufacturers and their workers to adjust to a more competitive trading environment in north America.

Nestlé locked out 220 union members at the factory near Ottawa after they refused to agree to more flexible working hours. The factory's main products are instant coffee and Quik flavoured powders.

Lower tariffs under the 1989 US-Canada free trade agreement have helped boost the plant's exports to 70 per cent of output. However, Nestlé has excess instant-coffee capacity in its US and Canadian plants and is seeking to rationalise production. Workers at its two US factories have accepted the arrangements being resisted by the Canadians.

Nestlé also has a coffee plant in Mexico. Production is geared entirely to the domestic market for the time being, with exports discouraged by customs duties in the US and Canada. However, tariffs between all three countries will be phased out if the North American Free Trade Agreement comes into force as scheduled next January.

Moscow 'needs own Marshall plan'

The ECE, a UN body, has put the stress on long-term aid, reports Frances Williams

ECONOMIC aid for Russia must address the country's underlying problems of monetary instability and structural change, the United Nations Economic Commission for Europe says in its annual economic survey* published today.

The ECE calls on the G7 nations, whose finance and foreign ministers will discuss aid to Russia as the main agenda item at their meeting in Tokyo today, to commit themselves to a long-term reform programme on the scale of the post-war Marshall plan that channelled billions of dollars of US aid into the economic reconstruction of western Europe.

"One of the worst outcomes would be ... a list of short-term measures, hastily put together with a maximum of publicity," the ECE says, warning against another "false start" on the road to Russian reform.

The ECE, which groups almost all the countries of western and eastern Europe, the US and Canada, also urges western governments not to neglect other eastern European countries in their concern for Russia. A broader, regional perspective of the transition to market-based economies is needed, the report says.

The UN body has consistently argued that western aid for eastern Europe and the former Soviet Union has failed to grasp the long-term dimensions of economic reform, which requires transformation not simply of economic and institutional infrastructures but people's understanding of and ability to operate in a market economy.

Western assistance has been inadequate, badly co-ordinated and poorly targeted, the report says. Too little attention has been paid to constructing coherent long-term transition plans and building a public consensus behind them, including provision of an effective welfare safety net.

Bilateral and multilateral financing for eastern Europe and the former Soviet Union may have amounted to about $40bn last year, the ECE estimates. But only a small proportion of this money was grant aid or concessionary finance and little was directly focused on reform activities. About half was accounted for by debt rescheduling and other forms of "special financing".

The total sum compares with net German government transfers of $96bn to its new eastern states in 1992, the report notes.

Foreign direct investment too has proved disappointing. Net inflows rose from about $600m in 1990 to just under $3bn last year, but this compares with the $28bn or so flowing to developing countries and worldwide flows of some $200bn. In addition, 90 per cent is concentrated in Hungary and the Czech Republic.

"When debt servicing and other income payments are set in the balance against capital inflows, there was a net outflow of resources from most of the east European countries in 1992," the report says.

It also warns that protectionist pressures in Europe, such as recent EC restrictions on steel imports, threaten to snuff out glimmerings of economic recovery in Poland, the Czech Republic and Hungary, which have been largely based on growth of exports to the west.

Reviewing economic developments last year in eastern Europe (excluding the former Soviet Union), the ECE says output fell for the fourth year in succession, by 10 per cent, bringing the cumulative drop in GDP to more than 30 per cent. However, there were signs that the downturn was beginning to bottom out and in a few countries there were signs of recovery.

In Poland, GDP rose slightly last year, and a further increase is expected in 1993. Hungary, too, may see some rise in output this year. But the ECE fears the rupture in trade relations between the new Czech and Slovak republics could stifle Czech growth prospects in 1993 and worsen the predicted drop in Slovak output. Elsewhere in eastern Europe, output is predicted to go on falling this year but by less than in 1992.

In Russia, the Baltic states and other former Soviet republics "the slump in output deepened through 1992". The ECE is making no prognosis for 1993. Russian net material product (which excludes services) fell by 19 per cent last year. In the Baltic states, output fell by 28 to 44 per cent.

Meanwhile, recorded unemployment in the transition economies rose rapidly in 1992, the Czech Republic being a notable exception, and the ECE expects another sharp increase this year as privatisation and bankruptcy laws bring redundancies in their wake.

The report notes that private sector activity is growing strongly in eastern Europe, especially in agriculture, construction, trade and other services, but not by enough to cushion job losses in largely state-run industry.

Inflation fell last year in Czechoslovakia, Bulgaria, Hungary, Poland and the Baltic states but accelerated elsewhere. In Russia, the proportion of people officially classified as living below minimum subsistence levels more than doubled to 29 per cent over the year, as real incomes slumped.

*Economic Survey of Europe in 1992-1993, United Nations, New York. UN Sales Number E.93 II E1, ISBN 92-1-116555-5

INTERNATIONAL AID COMMITMENTS
To the countries of eastern Europe and the former USSR states* (Ecu m)

Donors/creditors	Total
Community total	73,459
EC member states: of which	61,880
France	3,771
Germany	46,713
Italy	5,725
EC Institutions: of which	11,579
EC	8,009
EIB	3,370
Efta: of which	4,904
Austria	2,267
Other G24 countries: of which	20,550
Canada	3,102
Japan	4,509
United States	1,252
G24: total above	98,913
Total bilateral	104,457
Total multilateral	14,327
Grand total	118,785

* New eastern Europe commitments are cumulative from beginning of Q1 1990 to end of Q3 1992; for the ex-USSR from Q1 1990 to November 1992. Source: ECE

Brittan bangs drum for E European trade

TWO-WAY trade between the European Community and its eastern neighbours must not falter because of recession in western Europe, Sir Leon Brittan, EC trade commissioner, said yesterday, writes Lionel Barber in Copenhagen.

He was speaking at a conference on economic development in central and eastern Europe organised by the Danish government.

But Bulgarian, Czech and Hungarian delegations from among the 30 countries present complained that EC promises of more libèral trade jarred with the EC's one-month ban on imports of live animals, meat, milk and dairy products from across eastern Europe.

Mr Geza Jeszenszky, Hungarian foreign minister, said the embargo was "entirely unwarranted" and "it smacks of a most regretable survival of the notion of an eastern bloc".

Sir Leon avoided reference to the ban, but spoke of "misguided perception" that western industries needed special protection from artificially privatised state companies in eastern Europe. "This approach is as disloyal to our eastern European partners as it is to the facts."

He himself was isolated within the Commission earlier this year when he appealed for a more generous approach to trade with eastern Europe, but he won some concessions from member states. Yesterday he promised to use the EC's anti-dumping measures only against "genuine breaches" of multilateral trading standards.

According to a draft of the conference's final communiqué, the EC and Efta pledge to open up markets progressively, but only on a "mutually advantageous basis". It also urges the east European countries to reinforce trade relations between themselves and the former Soviet Union.

The EC runs a trade surplus of $1.3bn (£860m) with Hungary, Poland, Bulgaria and the Czech and Slovak republics.

BULGARIA has banned imports of livestock and dairy products from the European Community, effective from yesterday, agriculture ministry officials said, Reuter reports from Sofia.

The ban was imposed because of cases of foot-and-mouth disease in some EC countries, according to a ministry spokesman

Bulgaria, which is free of the disease, also banned the transit of live animals from the EC through the country.

The move followed an EC decision last week to ban imports of live animals, meat, milk and dairy products from eastern Europe until May 10 to prevent the spread of the disease.

'Agreement' reached on Group Lotus buy-out

By Kevin Done, Motor Industry Correspondent

THE management buy-out team seeking to take over Group Lotus, the UK sports car maker and automotive engineering consultancy, has reached some "preliminary agreements" with General Motors.

GM, the world's largest vehicle maker, took over Group Lotus for £22.7m in 1986.

Group Lotus has suffered heavy losses in recent years, however, and GM had to pump in £18m to repair the battered Lotus balance sheet in 1991 including the provision of £11.5m in new equity.

The UK subsidiary suffered its greatest setback last year with the commercial failure of its new Lotus Elan sports car. It was forced to cease production of the Elan after less than two-and-a-half years, making it one of the shortest-lived new cars launched on the world market in recent years.

Lotus had hoped to sell 3,000 Elans a year but the car was widely regarded as too expensive and never came close to targets.

As a result Lotus Cars, the carmaking division which now produces only the very low volume Esprit 'supercar', has been making heavy losses for the past two years. It now employs only 200 people - one third of 1991 levels.

GM Europe said yesterday that "no definitive agreements" had yet been signed with the proposed buy-out team led by Mr Adrian Palmer.

Mr Palmer had been promoted, however, to acting managing director of Group Lotus, from his former position as head of the Lotus car division.

Mr Martin Long, managing director of the successful engineering consultancy division of Group Lotus, is moving to a new post at GM Europe's technical development centre at Opel, GM's German subsidiary.

GM is the biggest customer of the Lotus engineering division. Group Lotus losses have grown rapidly in recent years from £2.1m in 1988 to £4.4m in 1989, £12.7m in 1990 and £14.7m in 1991 on a turnover in 1991 of only £87.5m (£74.8m in 1990).

The demise of the car operations has masked the success of the engineering consultancy and vehicle testing operations, which greatly increased their profits in 1991 to £5.95m, from £1.56m a year earlier, on a turnover of £44.3m (£29.6m), largely thanks to increased work in particular from North America.

Komatsu, the Japanese earthmoving equipment manufacturer, has announced it is providing technical support and sponsorship for the Lotus Formula 1 motor racing team.

Research and development work in suspension and automatic transmission systems for earthmovers is being applied to Team Lotus cars, which are being fitted with pumps and sensors supplied by Komatsu. As part of the sponsorship deal, for which no price has been revealed, Team Lotus cars will bear Komatsu's name at Grand Prix races.

Maastricht bill threatened with further delays

By David Owen

FRESH complications have emerged in Britain's tortuous bid to ratify the Maastricht treaty with opposition politicans threatening to delay government moves to push through legislation on closer European union.

With the House of Commons resuming detailed consideration of the Maastricht bill tomorrow, the opposition Labour party said it was still confident of forcing a vote on its potentially crucial amendment removing Britain's opt-out from the treaty's protocol on the social chapter.

Mr Jack Cunningham, Labour's foreign affairs spokesman, said there was a powerful case for a vote on the amendment "at some stage."

If Mr Michael Morris, the MP who chairs the detailed discussion, sticks to his decision not to allow a vote on the amendment during the committee stage – when MPs scrutinise the bill – the argument for allowing one in the subsequent report stage could be strengthened, Labour believes.

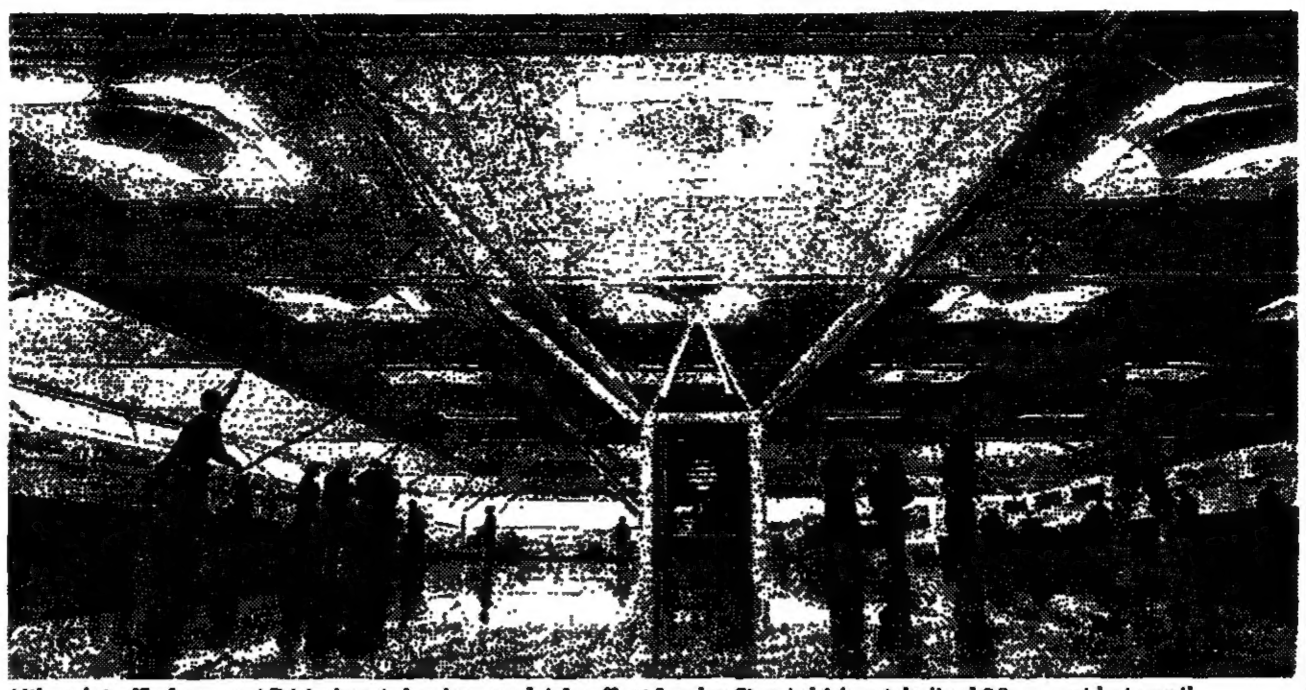
Mr Cunningham has written to Mr Morris requesting a meeting today to discuss the matter. Mr Morris, who is also deputy speaker of the Commons, has received separate submissions from the centrist Liberal Democrats and Tory Euro-sceptics.

With the committee stage nearing its conclusion, some are predicting a series of government defeats tomorrow on non-wrecking Labour amendments to increase the accountability to parliament of EC institutions. The likelihood of this receded significantly last month, however, after the Liberal Democrats decided not to support the amendments.

Some Tory Euro-sceptics, meanwhile, appear to be lending support to a separate Labour clause to prevent powers being transferred under the bill until MPs had decided whether the social chapter should apply to the UK.

With the Liberal Democrats set to back the new clause, the support of the 20-25 hard-core rebels would all but assure the government of an embarrassing defeat. But the clause would only force the government to choose between ratifying the treaty and accepting the social chapter if Tory rebels voted for the chapter in the subsequent debate.

One Euro-sceptic yesterday predicted more than 20 rebels were likely to support the clause. In a separate move, seven Labour Euro-sceptics have tabled five new non-wrecking amendments in a fresh bid to delay ratification.



Although traffic from most BAA airports has increased, take-offs at London Stansted (above) declined 8.3 per cent last month

Sharp increase in domestic air travel

By Daniel Green

DOMESTIC air travel showed its sharpest rise for more than a year during March, indicating greater confidence among UK businesses which buy most tickets for internal flights.

The latest traffic figures from BAA, which operates London's airports and three in Scotland, show a 5.5 per cent year-on-year increase in domestic passenger traffic.

The last time such a rise was recorded, in February 1992, it was blamed on a bounce back from the depressed figures of two years ago in the aftermath of the Gulf war.

Without the Gulf war effect, March showed the biggest rise since August 1990.

However, Stansted – London's loss-making third airport – continued to struggle to establish itself as an alternative to Heathrow and Gatwick. While passenger traffic grew by 5.7 per cent, the number of take-offs fell 8.3 per cent.

Last month, the airport lost its only long haul route as American Airlines, the world's biggest carrier, pulled out of its Chicago service less than a year after starting it.

The fastest growing of BAA's airports is Aberdeen, dominated by the oil industry. The number of passengers there rose 12.4 per cent to 195,000.

Traffic from BAA airports to the rest of Europe increased more quickly than domestic traffic, rising 9.6 per cent over March 1992. BAA's airports together handled 6.1m passengers in March, a rise of 6.2 per cent on last year.

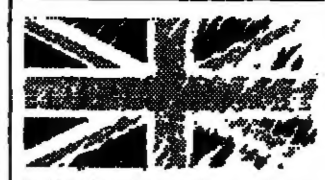
Heathrow airport showed the biggest gain in the south with a rise of 8.3 per cent to 3.8m passenger during the month.

The number of aircraft taking off rose by 2.1 per cent. This suggests each departure more heavily loaded, a measure linked to airline profits.

The recovery in traffic echoes mild optimism in some quarters of the airlines industry. Many airlines operating across the North Atlantic, for example, have increased capacity by more than 10 per cent for the summer season.

But British Airways damped hopes domestic traffic was recovering sharply. It said domestic travel business was "still broadly depressed".

Britain in brief



EBRD denies excessive spending

The European Bank for Reconstruction and Development (EBRD) said expenditure on its headquarters was "value for money" in spite of revelations that it spent £55.5m on fitting out its new offices and £18m on its previous office, of which £40m had been provided by the British government.

"The bank needed a headquarters building that was suitable to its needs as an international public institution with 23 resident directorships representing 56 members," it said in a statement yesterday. The UK Treasury said the control of expenditure at the was "a matter for the bank itself and its board of directors".

Mr Gordon Brown, the opposition Labour party finance spokesman, is pressing Mr Norman Lamont, chancellor of the exchequer, for an explanation of why the London-based bank had spent so much on the new offices.

Escapes prompt prison meeting

Managers of Group 4 Court Services will meet Prison Service officials tomorrow to discuss the problems which arose during the first week of Britain's only private prison-escort service.

Four prisoners escaped or were wrongly released last week, when Group 4 took over the contract for escorting prisoners between prisons and courts in the east Midlands, Yorkshire and Humberside.

Retirement age of 63 urged

Retirement ages for men and women should be equalised at 63, rather than the government's preference of 65, according to the Federation of Small Businesses. The plan could save £1bn and have a desirable impact on unemployment figures, it claimed in a letter to Social Security Under Secretary Ann Widdecombe.

New gas-fired station planned

Scottish Power is to build a power station in north Yorkshire to be fuelled by what it says is Britain's largest onshore sour gas field.

The 40 to 50 megawatt power station will generate enough power to provide electricity for a town of about 15,000 people. Although small by comparison with other electricity plants, the planned station will underline the growing use of gas in power generation and the problems that causes for coal. The station is being built in the Vale of Pickering.

Private finance for NHS

The government is examining ways of expanding the role of private financing in the National Health Service as a means of improving the service provided to NHS patients.

Mrs Virginia Bottomley, the health secretary, said yesterday she would "welcome" private-sector involvement in NHS projects – as long as the NHS benefited. "We should not have a kind of apartheid between public and private sector," she said. "Where private-sector skills, resources and capital can help us to go forward, then I welcome it."

Fresh crisis at London Zoo

London Zoo has been hit by a fresh crisis after the breakdown of talks with a millionaire leisure entrepreneur over a £35m development plan.

Mr David Laing, a member of the Laing construction family, had put together a consortium to build a walk-through aquarium and wildlife film theatre at the Regent's Park site. But a brief joint statement from Mr Laing's New Zoo Developments company and the Zoological Society said negotiations had broken down after both sides agreed their plans were "not compatible".

MANAGEMENT

Large corporations are increasingly enticing employees away from rival companies, say **FT writers**

Laying traps for the poacher

It has taken General Motors less than a month to introduce "non-compete" clauses for key executives in the wake of the dramatic departure of J. Ignacio Lopez de Arriotua, its worldwide purchasing chief, to Volkswagen. The one-page agreements, which would normally preclude employees from working for a competitor for three years from the time of signing, were approved by the carmaker's board last week.

Lopez's spectacular exit, followed by other less senior GM employees, and his systematic drive on behalf of his new employer to sign up as many as 40 managers from German rival Opel– a GM subsidiary – will have sent a shudder down many corporate spines. VW's tactics may have run into opposition in the German courts – but defences against corporate poaching in other countries may not be sufficient to discourage an apparently growing practice.

The question in the US is whether GM's efforts to bolster executive loyalty by legal means will encourage other US corporations to follow suit. Labour lawyers are sceptical. The basic problem, they say, is that US courts are supportive of the free flow of labour and that making a "poaching" case stick is an uphill legal task.

A second problem has more to do with image. It is not easy to demand anti-trust enforcement and free trade practices on one hand and then corner personnel on the other. This is not to say that US companies do not try to tie executives in by legal as well as financial incentives. "Non-compete" clauses have been around for years. But such clauses cannot be overly onerous – in terms of the length of the non-compete period, or even geography. One lawyer cites an ongoing legal battle between two Wall Street investment banks. Action could only be brought, he says, because the executive in question moved from one New York office to another. Had he joined a Los Angeles or London office, the case would have been untenable.

That leads on to the thorny issue of what constitutes a "competing" situation. Some eyebrows were raised in the airline industry when Frank Lorenzo, the former boss of Continental Airlines, turned up as an adviser to MarkAir, a small regional carrier. As part of his deal on leaving Continental in 1989, Lorenzo had agreed not to work in the airline business for seven years. Lorenzo's company, Savoy Capital, maintained it was only "a consultant" to the newer carrier.

Trade secret suits, or the threat of them, have been a powerful weapon employed by established high-tech companies ever since Intel initiated such a move against a rival semiconductor company – Seeq Technology – founded by 10 of its engineers in 1981. For a start-up company, such a legal challenge can be a serious distraction, eating up management time and limited financial resources. Rather than risk such suits from their former employees, would-be entrepreneurs usually try to reach "gentleman's agreements" not to compete directly and not to raid their former employer for staff.

In reality, according to US recruitment consultants, matters such as poaching tend to be resolved behind the scenes – whatever the formal legal safeguards. "There are situations which result in informal conversations, one CEO to a rival CEO – where one will say cease and desist before I do something dramatic," says one Manhattan recruitment professional. "Dramatic", she adds, non-attributedly, does not mean legal action; between Wall Street firms it is likely to involve cold-shouldering on syndication deals.

British employers, meanwhile, use the promise of future rewards and clauses in employment contracts, to discourage poaching. But in the end neither method is fail-safe, as no company has a legal right to force anyone to work for them. Moreover even the heaviest gold handcuffs can be unlocked.

The most generous use of golden handcuffs was to buy the loyalty of television executives bidding for the ITV franchises in 1991. The estimated £60m the companies paid, mainly through share options, was a one-off. The companies reasoned that to have their top people leave during the bidding would be disastrous, as it would damage their claims to offer good programmes.

In addition to share options, companies are increasingly looking to other long-term incentives, with bonus payments staggered over several years, or shares in special accounts which are cancelled if the employee leaves the company.

Companies are increasingly resorting to "gardening leave" clauses, which allow them to state that an employee must spend a few months at home before taking up a new job. The idea is that any confidential information will be out of date by the time an employee joins a competitor. Other standard clauses include non-solicitation provisions which prevent departing employees from taking their colleagues and clients with them when they go. As none of these clauses have yet been tested in law, it is not clear how well they will stand up.

Come and join me: J. Ignacio Lopez de Arriotua has urged managers from rival Opel to move to Volkswagen

In Germany, however, extraordinary precedents are now being set. VW's Lopez was told earlier this month he could face six months behind bars if he continued trying "systematically to recruit" Opel managers. According to a temporary injunction issued last week, after an appeal by David Herman, Opel's new chief executive, VW could also be fined up to DM500,000 (£208,000).

VW started picking off a select group of new managers last year. The fruits of the early harvest, brought in at the command of Ferdinand Piëch, VW's boss-elect at the time, include a new CEO at Audi, courtesy of Mercedes and a production director from Opel's showpiece low-cost works in Eisenach.

Competitors say, Piëch was living up to his reputation as a determined manager with a keen eye for quality people. His recruitment drive was more wide-reaching than "normal", but then VW – which scored a DM1.25bn loss in the three months to April – had more than the normal range of difficulties.

According to Jörg Zauber of Eurosearch Consultants, a Düsseldorf headhunter with 20 years' experience, the Lopez offensive was "highly unusual". But not as unusual as Opel's bringing its complaints into the public arena and then to court. It was more common for chief executives to settle their differences personally in a "gentlemanly" manner, he says. However, Herman points out, calls to Piëch from Jack Smith, GM's chief executive had proved fruitless.

Opel turned instead to laws forbidding headhunting which go so far as to "endanger the existence" of a target company. The common practice of locking management board directors into five-year contracts is normally enough to protect the top layer. But as Zauber points out, the usual one-year notice period required of non-board management is hardly effective. It makes little sense to hold on to a person who wants to leave.

Herman is unflattered by the tribute, implied in VW's actions, that Opel's buying and production people are the best in Germany. He is disappointed that VW, the industry leader, tried to solve its problems at Opel's expense.

The sort of friendly competition among industry leaders for which Herman evidently yearns created an environment in which poaching traditionally was not permitted in Japan. But changing economic circumstances have put increasing pressure on that country's rigid corporate hierarchies, making Japanese executives more willing to listen to headhunters. Indeed foreign securities companies have been able to lure senior managers from Japanese brokerages.

Larger Japanese companies, though, are still reluctant to court their competitors' employees. The hierarchy remains a formidable obstacle, as employees look forward to a slow, steady passage up the ladder. Loyalty is still lauded and the suggestion that a departing executive could take a roomful of his most trusted aides to a competitor prompts disbelief among Japanese executives.

Reporting by Christopher Parkes, Nikki Tait, Louise Kehoe, Lucy Kellaway and Robert Thomson.

A question of misjudgment

Paul Abrahams on a public relations setback for Wellcome

Wellcome should by now be accustomed to public relations crises about its controversial HIV-treatment AZT. But this month the drugs group was badly caught on the hop when the UK Medical Research Council called a press conference about AZT's effectiveness. What happened thereafter is an example of how even apparently well-prepared companies can mishandle the media and the stock market.

"The whole business was a great pity from beginning to end," admits John Robb, chief executive.

Preliminary details of a Franco-British trial suggesting AZT did not slow-down the onset of Aids were presented by the MRC on Thursday, April 1.

The conclusion of the trial, if correct, had serious consequences for sales of the group's second best-selling product. Since the MRC press conference, Wellcome's shares have fallen 8 per cent.

Wellcome admits it was not ready for the MRC to publish the results. "We knew something was going to happen that week in terms of findings, but I expected a position to be agreed between the MRC and Wellcome," says Robb. "And I didn't expect a press release to be sent out without our agreement."

Robb, together with two US executive directors and Martin Sherwood, head of public relations, were in the US presenting the company's recent results to staff and institutions.

"I took the view that our representatives were part of the trial monitoring committee and that it would be wrong to back out of a visit to US employees and shareholders," explains Robb.

Meanwhile, in London, two executive directors were on holiday, leaving the research and development director, Trevor Jones, virtually alone to cope with the media. He was supported by John Precious, the recently appointed finance director, and two press officers. Robb admits the headquarters was understaffed. Wellcome's external relations machinery was overwhelmed, in spite of extensive contingency planning and media training.

During the rush for information, the public relations department not only lacked data to counter the MRC's briefing, but actually gave out inaccurate information exaggerating the trial's potential damage to AZT's sales.

Press officers said 38 per cent of patients using AZT in the US were asymptomatic. They concluded that in a disaster scenario the company could therefore lose 38 per cent of its worldwide AZT sales, worth £131m for the first six months to February this year. In fact, the worldwide percentage of AZT patients who are asymptomatic is between 10 per cent and 15 per cent.

"An internal investigation has been set up to investigate how the 38 per cent figure was given out, and how expressions such as 'disaster scenario' were used," says Robb. The next morning, AZT's apparently disappointing performance was front-page news. The shares fell 51p to 692p.

"I was dismayed – but not by the share price," says Robb. "We are responsible to the doctors who prescribe the products, our employees and the patients. For them, the news was devastating."

Robb and his team returned from New York the following Saturday. They were convinced the MRC's conclusions were too strongly stated, given contradictory results from other studies and the preliminary nature of the trial's data. They thought the results, once properly analysed, would show the drug was effective.

On Monday last week, Wellcome counter-attacked, calling a combined conference for Wednesday for the press and analysts, and a later meeting for Aids activists. The presentations were not a success. The company misjudged its audience. A technical presentation left attendees, analysts and journalists, confused. Afterwards, MRC scientists attacked Wellcome's position, claiming the company had manipulated the data. The group's shares fell a further 23p. "We've learned a lot in the last few years, but we still have some way to go," says Robb.

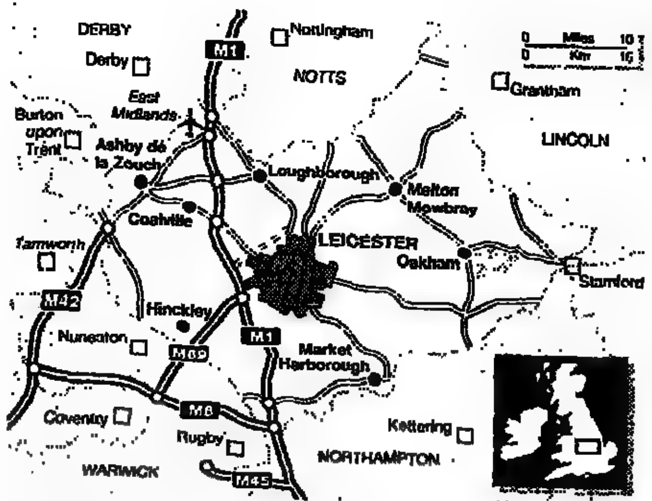
FINANCIAL TIMES SURVEY

LEICESTERSHIRE

The distribution and warehousing sector has grown fast: Page 2

Leicester's Asian community has contributed much to the city's economy: Page 3

Wednesday April 14 1993



The distribution industry and a dynamic Asian business sector have helped to cushion the county from decline in textiles, shoes and engineering. Business parks able to attract high technology are now being promoted. Paul Cheeseright reports

County of contrasts

On one hand there are picture postcard villages and dreamy countryside, the old England which never dies; on the other there is the full range of urban problems

LEICESTERSHIRE is contradictory. It has the external sheen of prosperity but the internal fear of poverty. It is like the business in a mature market which sees the future sliding away as newer products seduce regular customers.

On one hand, there is the quintessential shire county, with its picture postcard villages and dreamy countryside, the old England which never dies, with three district council areas said to be among the 20 most affluent in the UK and whose come-hither literature asserts the status of "one of the UK's most enterprising and consistently successful locations."

On the other, there is the county with the full range of urban problems, which has joined the rush to London and Brussels pleading access to subsidies. "Leicestershire's economy is in decline and showing weakness from heavy dependence on traditional and declining manufacturing industries."

Certainly recession sapped confidence in established business. Although county unemployment at 8.5 per cent has been lower than both the East Midlands and the national level, the average disguised pockets of high male unemployment in the inner urban wards of Leicester, Loughborough, Hinckley, Melton Mowbray and Market Harborough.

Unemployment rose harshly around the traditional poles of the county economy – textiles, footwear and engineering. By the end of the decade, a further 25,000 manufacturing jobs are expected to disappear – in perspective, more than the total for all mechanical engineering employment calculated in the 1989 employment census.

For all that, economic pain has been less acute in Leicestershire than in, say, the industrial areas of the West Midlands. "Over the last few years it was not so much desperate recession as gentle decline," said Mr Richard Brucciani, chairman of Pal International, the hygiene and protective clothing manufacturer in Oadby and chairman of the smaller firms council of the Confederation of British Industry. "We've got a little dowdy."

Now evidence is accumulating that recession is ending. Higher levels of orders across most sectors in the county economy has brought a return of confidence. "People have stopped scowling and started smiling," says Mr John Wareing, managing director of Jones & Shipman, the Leicester machine tools group.

Of course, an upturn in orders will bring relief. But sustained growth in the national economy, at a rate faster than most observers believe possible, will be necessary if Leicestershire is to approach an answer to the fundamental question it has been posed: how can enough jobs be provided for a labour force which is not only increasing but which will be weighted towards the over-35 age group?

There is a secular decline in the number of engineering jobs. The footwear industry has been successful in establishing niche markets for high quality products, but unsuccessful in protecting its domestic base for mass products. The textile industry has changed its shape into a congeries of smaller companies, able to react quickly to changing market conditions but always prey to imports. The deep coal mining industry has ceased to exist; surface mining is both limited in scale and, not unnaturally, subject to environmental constraints.

There is then little prospect that the fundamental question can be answered through the traditional industrial base. As the county council complained to the European Commission: "Earnings for both men and women are well below the national average and the gap is getting larger. Investment in the county's manufacturing sector is well below the growth in manufacturing investment generally."

Nor can the county expect any immediate fillip from relocation of government departments or agencies from London. The first phase has bypassed Leicester; if an East Midlands city has been favoured, it is Nottingham.

To be sure, in recent years both city and county have sought to argue their case more forcefully: there has been more enthusiasm than in most parts of the East Midlands for a regional development organisation and there is widespread disappointment that the headquarters of this putative body will be in Nottingham.

The most obvious immediate source of growth from inward investment is through the distribution industry. There is some pride that about £60m has already been invested along the M42/A42 corridor. It is not surprising that the industry should be attracted to Leicestershire; if any county can claim to be at the hub of the national motorway network Leicestershire can.

But there are problems in this popularity. Distribution parks take up large amounts of space but they offer employment in relatively small numbers. Planners argue that it is better to have business parks: not only are there more jobs there, but also, if high technology industry can be attracted, there is the hope of future economic growth.

Such an approach is essentially long term. New manufacturing and the provision of high value-added services do not appear in a day. But in taking this approach to the question of finding jobs for the growing labour force, the county has a number of advantages.

Not the least is the trio of universities – Leicester, Loughborough and de Montfort (formerly Leicester Polytechnic). Arguably the academic-industrial nexus is stronger in the county than in most other parts of the UK. Mr Alan Green, chief executive of the Leicestershire Chamber of Commerce, cites the growth of the design industry: "More design studios here than in London," he claims. "You can thank the universities for it. Out of them sprang this industry which gets ignored. They're designing everything from Channel Tunnel trains to footwear and textiles. They're significant players in engineering design."

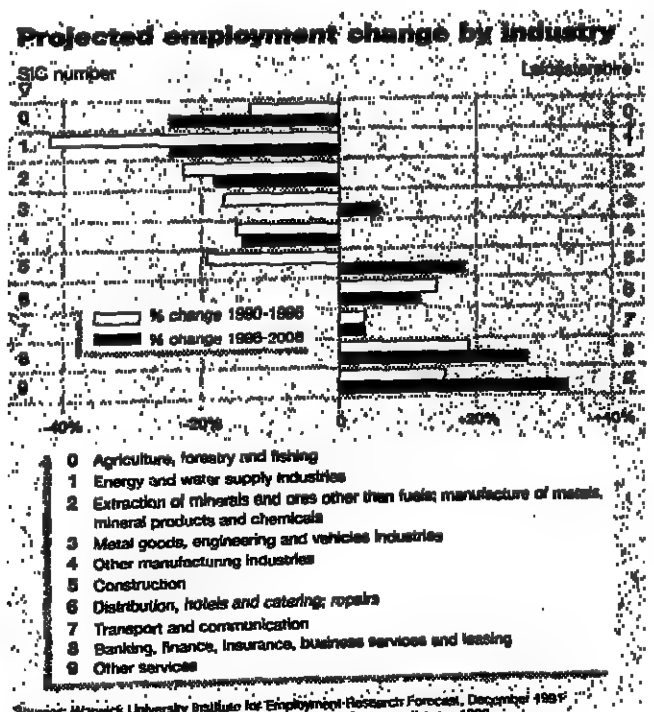
There will be opportunities further to exploit the marriage of academic and industrial expertise at Loughborough, where British Gas is building its research and development centre in what should be the first phase of a new science park, and in Leicester where a new park close to both Leicester and de Montfort universities is on the drawing board. At the same time there is scope for parks, with a bias towards the aerospace industry, at East Midlands International Airport.

A second advantage the county has is the presence, in Leicester especially, of an entrepreneurially vigorous Asian community whose tentacles are likely to spread out beyond the retail economy of the corner shop and the clothing industry. Indeed, its presence is already marked. Leicester officials contend that the Asian presence gave the local economy a resilience, during the recession, which otherwise it would not have had.

A third advantage is the corporate structure: the dependence of the economy on the proliferation of small and medium sized companies. Historically and in wider economies, they have provided both the employment growth and the energy for innovation - precisely the characteristics the county economy requires.

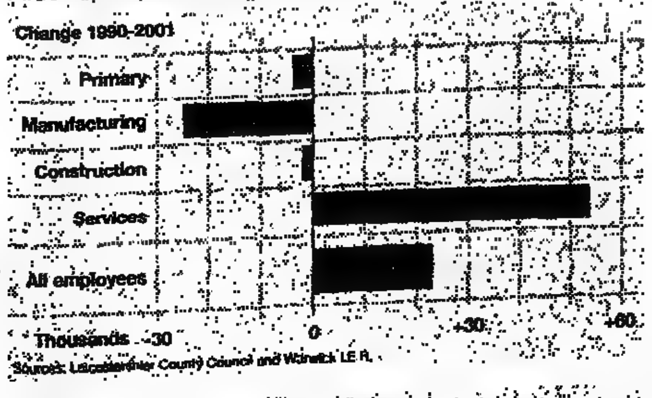
But the disadvantage for the county is lack of time. Longer term growth of higher technology industry, accompanied by energetic training programmes, may well be the answer to the economic future, but the social and economic problems of, notably, the inner city and old coal mining areas, pour in with pressing urgency. Hence the local importance attached to Leicester's City Challenge regeneration programme and to the County Council pleas to the government and the European Community for funds to assist redevelopment of the north west of the county.

Projected employment change by industry



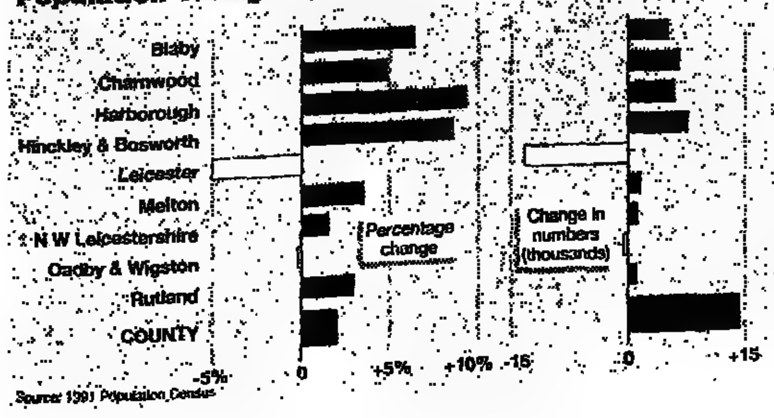
Sources: Warwick University Institute for Employment Research Forecast, December 1991; Cambridge Econometric Regional Economic Forecast, January 1992

Leicestershire employment forecasts



Sources: Leicestershire County Council and Warwick I.E.R.

Population change by district, 1981-1991



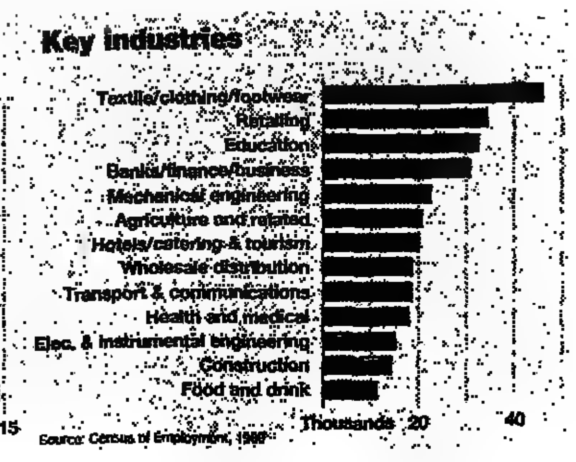
Source: 1991 Population Census

KEY FACTS

Area	985 sq miles	
Population	890,000	
County Authority	Leicestershire County Council, County Hall, Glenfield, Leicester LE3 8AR, Telephone 0533 323232	
Chief Executive	David Prince	
Leicester City Council	New Walk Centre, Welford Place, Leicester LE1 6XG, Telephone 0533 549922	
Chief executive	Imtiaz Farookl	
Leicestershire Chamber of Commerce	4 New Street, Leicester LE1 5NT, Telephone 0533 512300	
Chief executive	A.H. Green	
Leading Employers	British Gas East Midlands; British Telecom East Midlands Distict; Loughborough University; Leicester City Coucil; Leicestershire County Council; Walkers Crisps; Pedigree Petfoods; Marconi Radar & Control Systems; Rank Taylor Hobson Ltd.	
Travel Times	Road	Rail
London	1hr 10min	1hr 10min
Birmingham	50min	50min
Manchester	1hr 50min	2hr
Glasgow	5hr 20min	6hr
Prime Rents (£ per sq. foot)	from	to
Retail	8.00	170.00
Commercial	8.00	13.00
Industrial	1.50	4.50
Average House Prices (£)		
2 bedroom terrace	41,687	
3 bedroom semi-detached	47,017	
4 bedroom detached	85,231	

Source: Information provided by National Startpoint Ltd (telephone 0785-43235) social, economic and demographic database information service providers

Key industries



Source: Census of Employment, 1989

LEICESTERSHIRE 2

Businesses in the county sense a turning point has been passed

Export-led exit from recession

Mr Geoffrey Nicholls, chairman of the East Midlands CBI, emerged from the latest meeting of the regional council with a smile. It was, he said, the most positive meeting for two years. Leicestershire business is caught in this upturn of regional confidence.

It was reflected by Mr Alan Green, chief executive of the county's chamber of commerce, as he considered the raw data from the latest, so far unpublished, survey of local business trends. The returns show that more than 58 per cent of companies in the county are working at or above 80 per cent capacity.

The chamber's export documentation, provided for the Far East, Latin American and Middle East markets, has been running 15 per cent higher in the first quarter of this year compared with last. "The turning point came in January as the lower value of the pound manifested itself in overseas markets," says Mr Green.

As for two of the county's most significant industries, Mr Nicholls reports how busy the Leicestershire knitwear industry has been, while Mr Green's surveys suggest shoe companies had been enjoying fresh demand in the export markets.

Advance Tapes, the Leicester adhesive tapes company whose spread of customers across industry makes it a useful barometer, has scented an upturn for a year. "The majority of increased orders, until the last three months, have been in overseas markets. Since mid-January we've started to show an upturn in the rate of UK orders," says Mr David Ayres, the chairman.

In the machine tool sector, a monitor of investment intentions, Mr John Wareing, managing director of Jones & Shipman, notes that there has been more quotations activity in recent weeks, and that prices among the company's sub-contractors have started to harden. "There are signs of an upturn in UK demand, and in the US, but, with the exception of France, the rest of Europe is not encouraging," he warns.

The caveat about the European downturn notwithstanding, there is a clear impression in Leicestershire that the force of recession is on the wane.

Given that manufacturing accounts for 33.3 per cent of Leicestershire employment, compared with 27.4 per cent for the East Midlands and 22.5 per cent for the UK as a whole, the reasons for relief are obvious.

But the recession has done little to change the structural imbalances in the county's industrial base. The strengths and weaknesses remain intact.

In spite of the recession's litany of job cuts, employment remains skewed towards the textiles, clothing and footwear sector. At the last employment census the proportion of such jobs in Leicester was higher than in other traditional textile districts such as Nottingham, Manchester, Bolton and Bury.

In the local economy, the most obvious growth has been in distribution

Yet, in terms of gross output, the contribution to the county economy of the textiles, clothing and footwear sector is less than that of either the combined engineering industries, long a pillar of the industrial base, or the food and drink industry, where, although employment has fallen, there have been marked increases in output and productivity.

The weakness for the future is the relatively slow growth of high technology industry. "New technology industries are under-represented in the county, although the number of jobs in these industries is growing," according to the county council. In Leicestershire such industries accounted for 9.5 per cent of manufacturing jobs against a national average of 13 per cent.

The obvious growth has been in the distribution sector – a recognition of the fact that 88 per cent of the UK population is within four hours drive by heavy goods vehicle – in tourism, and in the services sector. By no stretch of the imagination, however, can Leicestershire be seen as a focal point for financial services.

The abiding characteristic of Leicestershire's corporate structure is the high number of small and medium-sized companies. To be sure, the county is the headquarters for British Gypsum, British Midland Airways, British Shoe Corporation, Fisons Pharmaceuticals and United Biscuits. And the county industries include well-known names such as Bridgport, Brush, Caterpillar, R. Griggs (maker of Doc Martens), Evans Lifts, Triumph Motorcycles and Walkers Crisps. But few companies employ more than a few hundred and 75 per cent of companies employ fewer than 25.

Arguably, the recession has caused further fragmentation of the corporate structure.

Textiles, clothing and footwear remain under pressure from imports

"Much is to do with redundancies of departmental managers in larger companies. The only choice for them is to go into business on their own account," says Mr Green. Take spare parts for knitting machines: a machinery maker goes into liquidation, but because knitting machines can have an almost limitless life, there is a demand for spare parts, which can be filled by a small company spun out out of the liquidating company.

This predominance of companies is, in one sense, a source of strength. "When recovery comes, it will not be the larger companies which recruit, but the smaller companies," comments Mr Richard Brucciani, chairman of Pal International, the Oadby hygiene and protective clothing manufacturer, and chairman of the CBI's smaller firms council.

But a weakness is that one of the strongest fountains of small company growth has been in the textiles, clothing and footwear sector, which remains under pressure from imports and in long term decline. And small companies are likely to remain dependent on the UK market and vulnerable to its erratic cycles.

It is precisely the need to succour the small company sector which has led Leicestershire enthusiastically to espouse the cause of the One Stop shop. Although there are a plethora of national and local initiatives in place to help small companies with exporting, technology transfer, business planning and the rest, the need to draw together the facilities for small companies has been obvious and pressing.

John Wareing of Jones & Shipman, the machine tools group

Application has been made to the department of trade and industry for its support in establishing one of its chain of One Stop shops in the county. But, even if that fails, the county council, Leicester City Council, Leicestershire Training and Enterprise Council and the Chamber of Commerce will go ahead on their own.

Paul Cheeseright

Paul Cheeseright looks at county planning problems

A forest for the future

COUNTY planners are forced to tread a narrow line between the desire to foster economic growth and the needs of the countryside.

Their latest attempt is in the updating of the county structure plan which will establish the main land use patterns into the next century. Their favoured approach to economic development is to concentrate it in the urban areas and, "of the smaller amount of new development which occurs elsewhere, most should be in locations along the transport corridors."

These corridors include the railway lines, among them the new Ivanhoe Line, and the A6 road between Leicester and Loughborough. Apart from development related to junctions 23a and 24 of the M1, near East Midlands International Airport and where the M42/A42 and M1 join, planners dislike development along main roads unless related to existing urban areas.

Mr Richard Phelps, who conducted a public enquiry into the provisions of the structure plan last autumn, was broadly sympathetic to this approach. At any rate, development will not be allowed to rampage through the countryside.

But Leicestershire has particular problems with minerals. Not that it has none – it has. As the county council explains, they "can give rise to adverse environmental impact unless sites are carefully chosen, operated and monitored." The county is an important aggregates producing areas of the UK, home of British Coal's Ashfordby superpit.

As opencast operations are not necessarily friendly neighbours, there has been considerable local agitation about opencast coal and quarrying planning applications. The planners wanted to restrict coal operations to one important major coal site and have the coal transported by rail. And, because most of the rock quarries and most of the reserves are in areas of "high scenic value", the planners are prepared to consider extensions to existing quarries but have come out against new greenfield sites.

Mr Phelps was less restrictive. He would have none of the council's proposed restrictions on the transport of coal, questioned how a site would be defined as "major" and recommended that "planning applications for opencast coal mining should be considered on their individual merits."

So the mineral arguments are likely to continue in the county. British Coal has identified only one area, in the north west of the county, as being of open coal interest. But in an effort to still the arguments, the local authorities, British Coal and private operators have been talking about how to devise a long term coal programme which will meet their interests and satisfy environmental considerations.

North West Leicestershire, indeed, is one of the county's priority areas for development. The underground coal mines closed during the 1980s. Around 50 per cent of employment is industrial, but jobs have been disappearing during the recession so that the proportion of long term unemployed is a third of the jobless total. Economic growth in the 1980s by-passed the area.

In an area where the straggling coalmining villages provide a sharp contrast to the prosperous, manicured settlements of the eastern part of the county, there is little desire to snuff out employment opportunities, whether they come from opencast mining or not. But it is because the area has become rundown that it has become part of one of the UK's boldest environmental initiatives. If the initiative started by the Countryside Commission succeeds, it will create that virtuous circle of economic development and environmental care which the county council wants.

This is the creation of a new National Forest over 194 square miles in Leicestershire, Derbyshire and Staffordshire. It is an attempt both to rehabilitate the countryside by creating wooded land with a mix of uses, rather than pure forest, and to give new life to an area turning its back on past industry without seeing the future clearly.

"Clean up the environment and make it attractive and this will attract investment," said Mr Alan Tuppen, the County Council's economic development officer with – at the back of his mind – a vision of small woodlands business parks.

"The mining villages have been isolated but they could be brought back into the economic ambit by the A42 (recently brought up to near motorway standard and linking the M42 to the M1), the Ivanhoe Line and the National Forest," Mr Tuppen suggests.

But the National Forest is a long term venture which has barely started, although the first indications of willingness among farmers to turn land over to trees are beginning to emerge and companies like East Midlands Electricity and, for that matter British Coal, are supportive.

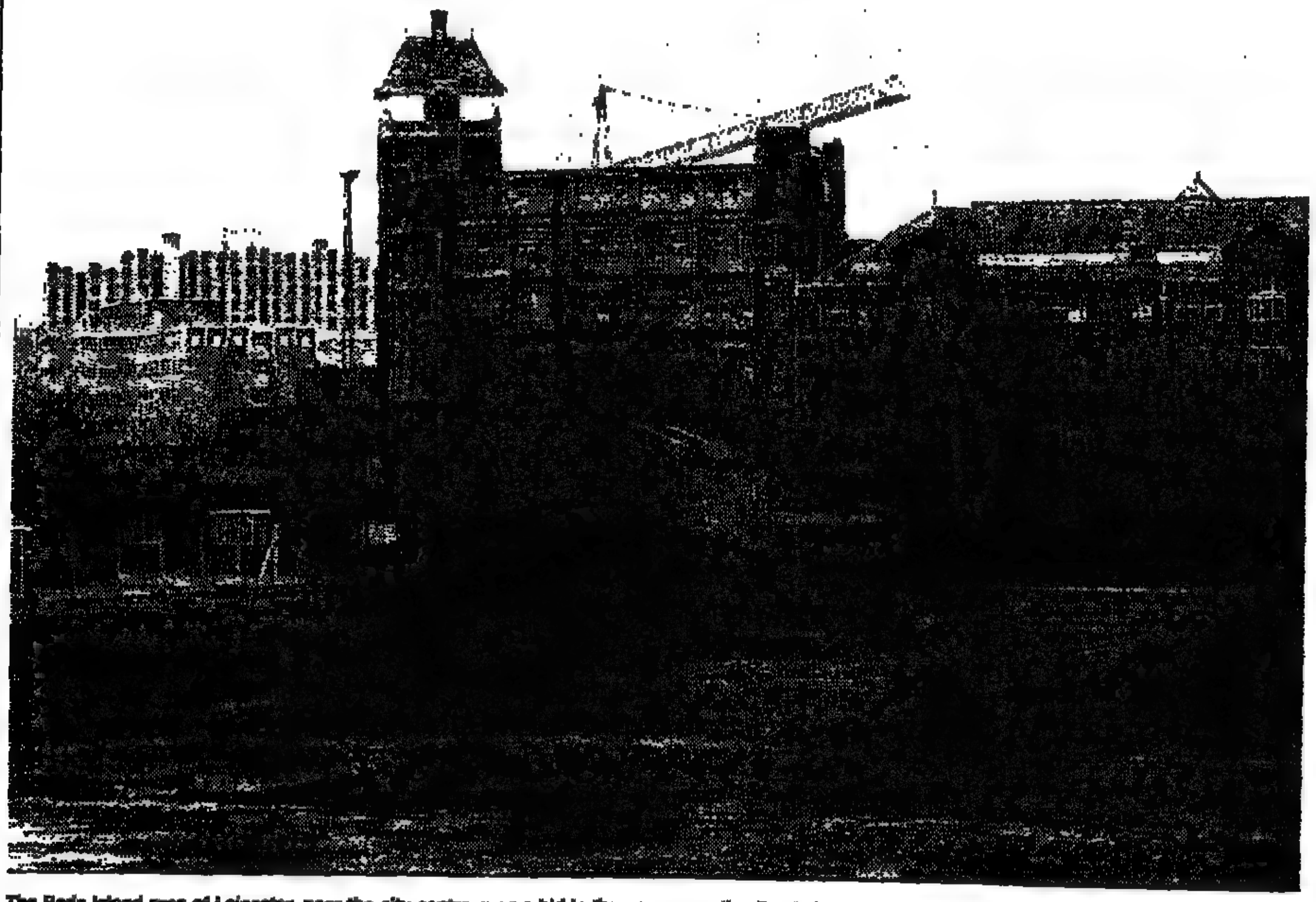
The unemployment rate in Measham, a North West Leicestershire mining village, is running at over 20 per cent, the highest in the county outside inner Leicester wards. Economic decline set in when the local pit closed in 1985.

The problems of rural areas in the county, by contrast, have been emerging more gradually. Just as there is a decline in industrial employment, so there is in agricultural employment. Leicestershire Training and Enterprise Council (TEC) notes: "The national decline in agricultural employment will have the greatest impact on the more rural districts of Leicestershire – Harborough, Rutland and Melton."

In the same way as the pit closure in Measham set off a search for economic diversification, farmers have been travelling down the same road, prompted by the erosion of once assured markets and by the reduction of subsidies. But the farmers appear to have gone further.

The Leicestershire TEC, in conjunction with neighbouring TECs and agricultural training organisations, found after a survey of farms in the county that that 44 per cent had diversified into – by order of frequency – contracting, retail outlets, farm building developments, leisure activities, holiday accommodation, transport and distribution and added value produce.

But the TEC warns: "It is uncertain as to whether diversification activities will either increase employment opportunities or fully employ existing labour in the long term." That will strike a chord in North West Leicestershire. But the difference between the mining villages and the rural areas is that the former must create a new environment to provide a future while the latter have to preserve and manipulate the existing environment.



The Bede Island area of Leicester, near the city centre, won a bid in the government's city challenge programme last November

Distribution and warehousing have developed fast

Naturally at the centre

A look at a map of Britain shows why Leicestershire has become a centre for distribution and warehousing.

It is geographically at the centre of the country, and the M1 motorway runs through the county north/south.

Mr Alan Tuppen, economic development officer for Leicestershire county council, says: "We are like a lot of local authorities. We do not like the idea of vast tracts of our countryside being covered in warehousing sheds. Distribution does not provide many value added jobs, and takes up a lot of space. On the other hand, we must be realistic and recognise that our geographical position means we are a natural centre for distribution."

Consents for business parks with varying degrees of B8 or warehousing properties have been given without much fuss. Leicestershire has five main business parks within its boundaries.

There is Meridian 21, of which Wilson Bowden is the developer. There is Interlink (also under the aegis of Wilson Bowden). Bardon has Gallifords as developer. There is Flagship 42 near Ashby-de-la-Zouche, which is being developed by London and Devonshire. And there is Magna Park, which is being developed by Gazeley, a subsidiary of Asda, in conjunction with the Church Commissioners.

These parks cover several hundred acres and have several million sq ft of property on them. They employ fewer than 5,000 people.

Meridian 21 is an industrial park with some manufacturers on its existing 110 acres. Magna Park has been built as a dedicated distribution centre. Close to Lutterworth, in a triangle bordered by the M1, M6 and M69, Magna Park was originally an RAF aerodrome.

Mr Andrew Griffiths, senior development surveyor of Gazeley, which has been developing the centre, says Magna Park has been a great success. 75 per cent of the 4.2m sq ft developed so far has been let. (Clients typically take the properties on long leases; rents work out at about £4.50 a sq ft.) Tenants include Nissan, Panasonic and Toyota. Phase two will provide a further 3.5m sq ft, with a £9m Lutterworth bypass linking the site to the M1 (the developer will be paying for this).

One reason for the success of Magna Park is obviously the location. Mr Griffiths estimates that over 90 per cent of destinations can be reached within a day's drive. East coast ports such as Felixstowe and Harwich are just over three hours away; Liverpool is a two hour drive. Heading south, it is three hours to Portsmouth.

But the other factor is the sheer size of the warehouses. Mr Griffiths says that the advance in information technology and the improvements in storage and handling techniques have revolutionised the distribution industry.

With computers, shops, supermarkets and factories can know their needs down to the last detail. This means that if a warehouse is big enough it can take huge consignments from the ports and then distribute smaller loads by shuttle.

Improvement in handling techniques – bigger fork lift trucks, mechanical handling and the like – also means that distribution centres can store much more, because goods can be piled higher. Mr Griffiths says: "Better technology has advanced distribution. A typical Asda supermarket would receive 40 visits by lorries a day. Today, with computerised control and bigger storage facilities, the number of visits is down to five. This cuts down congestion and also costs."

Stewart Dalby

Stewart Dalby visits Leicester

Green initiatives sow growth seeds

IN THE late 1980s, when nearly every British town and city north of London (and a good few south of it) were vigorously chasing new investment to replace declining industries, little was heard from Leicester.

Leicester had its share of large company collapses arising from the recession of the early 1980s, particularly in textiles and light engineering. Now, apart from the utilities, no private sector company employs more than a few hundred. But job losses never rose as steeply as in nearby Coventry, or Corby. Throughout the decade unemployment did not exceed the national average and was usually below the regional average.

Today, unemployment in the travel-to-work area of Leicester is 9.2 per cent compared with a national average of 10.7 per cent. (As with most British cities there are pockets of higher unemployment in deprived inner-city areas.)

Leicester is unusual in not having attracted either an important government office relocation or any significant white-collar or service company investment in the last 10 years. Yet it has it has managed to contain average unemployment. Moreover, despite the shakeout in large textile companies, 36 per cent of the workforce is still employed in manufacturing. The national average is 23 per cent.

The reason is the dramatic growth in Asian businesses. Ethnic minorities now make up 28 per cent of the city's population; Indians from Uganda predominate. The Asian business community has permeated many areas of commercial life and is not confined to the corner store so familiar in many cities. It is also involved in manufacturing, especially textiles.

Mr Imtiaz Farookhi, chief executive of Leicester City Council for the last 18 months, says: "I do not know why Leicester did not try to attract new outside investment in the past. It was before my time. Perhaps it believed there was no need. Certainly the Asian business sector saved the city from the worst ravages of recession." Now, however, the city is trying to sell itself.

It is not that the Asian sector is beginning to falter, although many retailers are having a tougher time in the current recession than the last. It is because of a realisation that there may be a limit to how far Asian businesses can continue to trade up and add value. There is also an acceptance that something extra will be needed to carry the city into the late 1990s.

Ms Penny Baker, director of Leicester Promotions, says: "There is a feeling that Leicester has undersold and undervalued itself in the past. It seemed overshadowed by places like Nottingham. The Inland Revenue relocated to Nottingham and Nottingham almost captured English Heritage." Leicester Promotions, described as an "arm's length" company by Ms Baker, has representatives from private business, the public sector and local community organisations. It is part of the new effort to market the city.

Leicester's profile was raised further in 1990 by being designated the UK's first "environment city".

At last year's United Nations Earth Summit in Rio de Janeiro, Leicester Environment City was included among the world's 12 leading urban initiatives. This award has, in turn, brought the city an EC award of Ecus 1.2m for environmental improvement campaigns.

The Leicester environment campaign involves more than 60 initiatives, including the building of cycle tracks, paths to cut down on traffic pollution, waste re-cycling, and energy conservation.

Mr Ian Roberts, director of Leicester Environment City, feels that a good environmental image is important if Leicester wants to develop as a post-industrial city and attract tourists and leisure industries.

He adds, however: "It is not just a question of post industrial activity. We run an advisory service. Given a constantly changing legislative background it is important that companies know what is expected of them."

Leicester's search for new investment has been hampered by a lack of greenfield sites and by the shortage of modern B1 light industrial and office space. The boundaries of the city are tightly drawn.

Existing B1 space is estimated at about 1m sq ft, but it is old and divided into small units. A property of 50,000 sq ft would be deemed large.

Hopes are pinned on the "City Challenge" area to attract new investment and bring about inner city regeneration.

The area of 370 hectares (888 acres) which won a bid in the second round of the government's city challenge programme last November is called Bede Island. It is on the River Soar and close to the city centre.

The City Challenge award from the government is £37.5m over five years

The government has awarded £37.5m over five years. It is hoped that this money will help to generate some £169m of private sector investment and create 3,000 new jobs.

The key commercial developments will be a science park and other office and and shopping units.

There are also plans to build a fashion museum. The reasoning here is that, unlike other former industrial cities, Leicester does not have the normal tourist draws like a beautiful cathedral. Nor has it developed attractions based on its industrial past such as the museum of photography in Bradford, the beer museum in Burton-on-Trent or the Albert Dock in Liverpool.

A fashion museum would emphasise Leicester's historical links with the textile industry and tie in with De Montfort University, the former polytechnic, which has more than 20,000 students and a campus close to the proposed site. It has a strong tradition of fashion studies as well as engineering and would be close to both the museum and the science park.

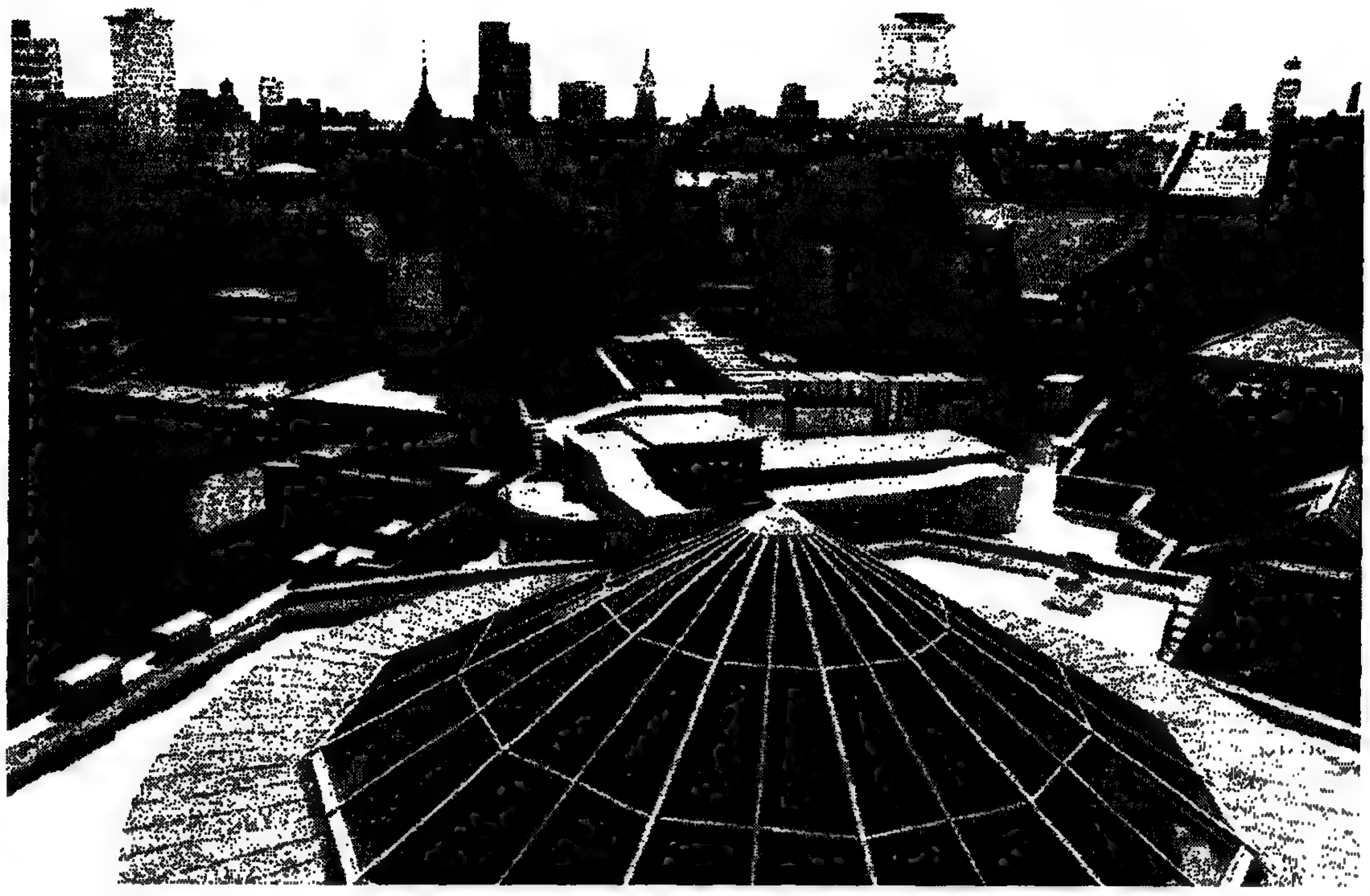
The city challenge scheme could be seen as another urban development corporation. Development of B1 property and shops could have led to tensions with the local population as occurred in the London Docklands or Bristol.

But Mr Keith Beaumont, the chief executive, who was once head of the Sheffield UDC, says the situation here is different "because the community is actively involved. This is not developer-led – and anyway, some 13,500 people live in the area."

More than a fifth of this population is aged 60 and over. About a quarter is made up of ethnic minorities. A high proportion of students live in the area. The unemployment rate is 13.6 per cent. Approximately two fifths of households receive some form of benefit. About eight hectares is derelict land, a quarter of the city's total.

Much discussion and planning has taken place to ensure that the social needs of this deprived area will be addressed. As well as developing business premises, there will be a lot of funds devoted to environmental improvements and to social conditions. Some 900 houses will be improved and several hundred new units built.

Mr Alistair Reid, the principal economic development officer at the city council, sees the city challenge project as the spearhead of the attempt to attract new investment to Leicester. Asked whether Leicester has missed the boat now that government departments are not relocating from London as much as in the 1980s, he says: "You could say that. But there will be other boats. Relocation out of the south-east will go on for years once the economy picks up."



Leicester is unusual in not having attracted either an important government office relocation or any significant white-collar or service company investment in the last 10 years

NET MIGRATION 1961-2006: Leicestershire

Period	Net Migration	Source
1961-66	+15,260	Census
1966-1971	+10,600	Census
1971-1976	+13,645	Census and MYE
1976-1981	+ 9,154	Census and MYE
1981-1986	+ 2,800	Mid Year Estimates
1986-1991	+ 7,650	LCC Projection
1991-1996	+ 6,250	LCC Projection
1996-2001	+ 6,250	LCC Projection
2001-2006	+ 6,250	LCC Projection

Source: Leicestershire County Council

PERCENTAGE CHANGE IN TEXTILE/CLOTHING EMPLOYMENT (1975-93)

	SIC43/45	1975/89 Industrial	SIC43/45	1984/89 Industrial	1989/91 TOTAL	SIC43/45	1989/93 SIC43/45
Leicester (4 Wards)	N/A	N/A	-24.0%	-24.0%	-2.0%	-13.7%	-27.4%
Leicester District	-19.4%	-28.2%	-12.5%	-15.4%	0.4%	-17.5%	-35.0%
Leicester TTWA	-9.5%	-14.8%	-13.9%	-8.9%	4.0%	-7.7%	-15.5%
County	-22.6%	-16.7%	-12.4%	-5.4%	6.0%	-13.7%	-27.5%
Loughborough/Shepshed	N/A	N/A	-14.3%	27.7%	16.6%	-16.7%	-33.3%
Hinckley/Bwell/E Shilton	N/A	N/A	-23.1%	-3.9%	23.8%	-20.0%	-40.0%
East Midlands	N/A	-19.6%	-12.0%	-2.8%	8.0%		
Great Britain	41.3%	-28.9%	-6.4%	-5.2%	6.2%	-15.2%	

Asian businessmen are looking to new markets

Families are tightly knit

THE ASIAN community and its involvement in Leicester's economy has grown rapidly in the last 20 years.

Ethnic minorities now account for about 28 per cent of the city's population of 280,000. The dominant communities are Asian: Hindus who arrived from Uganda in the 1970s; Sikhs from the Punjab, and Moslems from Pakistan.

Mr Bullu Patel is the development officer for ethnic communities in the "City Challenge" area of Leicester. Formerly business development officer at the chamber of commerce, he thinks that it is nearly impossible to estimate the contribution made by Asian businesses to the city's economy. He says: "So many employees are relatives – and therefore often not officially registered as workers. Asian businesses can be coy about output. As near as I can estimate there are 4000 ethnic – mostly Asian – businesses in Leicester."

These include many small corner shops: grocers, supermarkets, pharmacies, jewellers, clothes and dress shops. But significantly, Asians have also expanded into manufacturing, particularly textiles.

In a sense, Asian businesses in Leicester have anticipated a national trend. Large, monolithic, footwear and garment manufacturers with predominantly male, heavily unionised, well-paid workforces, began to shrink or even to disappear during the 1980s, under the pressure of cheap foreign competition. They were replaced by some Asian manufacturers employing females, who are paid less well.

One such is the Poshak group, which also trades as Water Rose. Poshak is run by Mr G.S. Bakshi, a Sikh, with his son Miti, who is 29, and Miti's cousin Ringo, 28. Other than a non-Asian accountant, there are no other directors or managers. There are 70 employees, many of them family. There are two silk-screen machines and an embroidery unit. The three Bakshis work from seven o'clock in the morning to eight or nine o'clock at night.

Because most of the people sitting over the sewing machines are family members, there are flexible working arrangements over pay and conditions. Mr G.S. Bakshi declined to say what the wage rates were, but admitted that some workers were on piece rates. The company's success, however, depends only partly in controlling costs.

Mr Miti Bakshi says: "We came here from London in 1987. Everything is better value for money – wages, the buildings, raw materials."

But he adds: "We cannot compete on cost. You could import a T-shirt from Hong Kong for 70p. The yarn alone would cost us that. The cheapest we could produce a bottom-of-the-range T-shirt is 150p. Where we compete is by being close to the ground and being flexible. Let me give you an example. We know our customers very well. They are wholesalers. If they import some garments which turn out not to be the right colour they often turn to us. We can supply them within three days."

Fast throughput is thus as important as cost. Mr Ringo Bakshi says the factory turns out 35,000 garments a week and that the factory is never without yarn. Asked whether the company has been affected by the recession, Mr Miti Bakshi says: "No, what recession?" This may be true for Poshak, but Mr Bullu Patel says the downturn in retailing has caused other textile manufacturers to have a more difficult time. "What some of them have done is to load up lorries full of garments, drive to places like Germany and sell to East Europeans."

The need to find new markets has led to the formation of a group called Asians Tackling Business, run by four second-generation Asian professionals. One of the directors, Mr Jitendra Patel, a solicitor, says: "What the recession has done is make many businesses realise they must become more sophisticated. Banks who never bothered companies before now want quarterly statements. What we aim to do is convince Asians that they are not running just Asian businesses but businesses like anybody else."

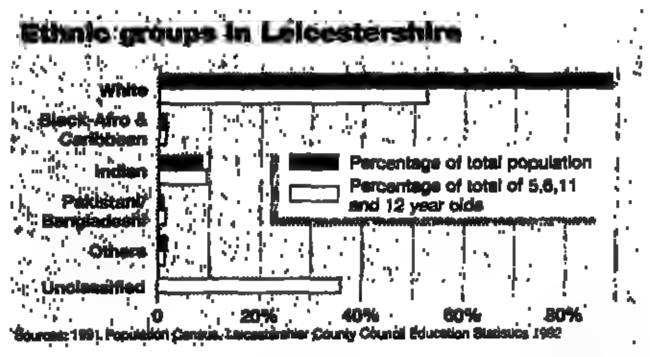
Mr Ashwin Moody, another director, says a lot can be done in the area of marketing. He says: "We are holding a range of seminars on the local economy, banking in Switzerland, importing and exporting, and dealing with local government and merchant banking."

Mr Bullu Patel says: "Asian businessmen do not like control to go outside the family, so I do not see any Asian businesses growing into large country-wide concerns. But they will start up new businesses and spread into areas such as corporate image-making, marketing, financial services, in which Asians are currently not involved."

Stewart Dalby

Leicester's ethnic minorities: 28 per cent of the population

Ethnic groups in Leicestershire



Source: 1991 Population Census, Leicestershire County Council Education Statistics 1992

BUSINESS AND THE ENVIRONMENT

Rebel attacks on oil pipelines have taken their toll on Colombia's forests and farmlands, writes **Sarita Kendall**

Cleaning up the battle zones

More than a million barrels of crude oil have spilt out of Colombia's pipelines over the last six years, polluting wetlands, streams, forests and farmlands. The environment is one of the principal victims of the guerrilla war on foreign oil companies and the state petroleum company, Ecopetrol, has become expert at emergency clean-ups.

But it is not just clean-up technology that has blossomed in Colombia. Legislation, refining and management standards are also improving fast and some of the measures taken to safeguard oil installations from the guerrillas are turning out to be unexpectedly friendly to the environment.

Both of the main oil producing regions are well inland: most of the older fields and the main refining centre are strung out along the Magdalena valley, while newer discoveries (including Cusiana and Cupiagua, explored by BP) lie east of the Andean mountain ranges in the "Llanos" plains.

Guerrillas belonging to the left-wing national liberation army (ELN) and the communist-line revolutionary armed forces of Colombia (FARC) roam these areas, assaulting and dynamiting their targets, then disappearing into forest camps or local settlements virtually under their command. The rebel groups - which aim to force oil multinationals out and impose a more nationalist oil policy - have financed their activities by kidnap and extortion. The government is trying to cut off these sources of funds, at the same time sending in more troops.

Although the three trans-Andean pipelines are buried wherever possible, there are particularly vulnerable stretches across rugged gullies and swamps. In any case, a little digging has never been an obstacle to the guerrillas. In 1992, there were more than a hundred attacks on these three pipelines, costing $8m (£5.2m) in clean-ups and repairs. Oil exports virtually ceased in November and part of December, forfeiting over $100m of income, while a million barrels of crude had to be imported from Ecuador at short notice. Repairs to the pipeline are made more difficult by guerrilla efforts to prevent access.

Ecopetrol and the oil research institute have developed a pipeline database which details petrol sites, key observation posts, hydrology, access roads, response times and available equipment such as floating booms, oil skimmers and suction pumps. If the pipeline is dynamited in a very steep section and oil spills into a fast-flowing river, little can be done.

"We have to act in places where the river flows down and widens out," said Jaime George, head of Ecopetrol's environmental division. "We don't use dispersants in rivers because they mix oil into the water and this could go into a water supply system. In the case of wetlands, we are monitoring constantly. The leaves of any contaminated vegetation must be removed - this takes a lot of time but the tropical climate helps recovery."

Timothy Ross

A state oil company worker crosses spilled crude oil to tackle a fire caused by a bomb attack on a pipeline

Repeated guerrilla attacks have led companies to centralise their production facilities, which serve both security and environmental ends. Ecopetrol is cutting the number of collection centres in one area of the Magdalena from 76 to 6. BP will drill a number of deviated wells off the same sites at Cusiana. Each site has lookout posts with armed guards and helicopters fly unusually high between landings. Cupiagua 1, alongside a main road, is protected by sandbags.

The oil companies and the guerrillas are to some extent competing for the heart and minds of nearby communities. The government recently decided to move settlers farther away from oilfields on the grounds that guerrillas have encouraged their sympathisers to occupy these areas and give them cover and support.

The companies provide jobs, build schools, health centres and roads, and feed royalties to the local authorities. Occidental, which operates the Cano Limon export field, runs a massive publicity campaign on television and in the newspapers stressing its environmental and community work.

"Last year, the consortium spent over $8m on environmental protection at Cano Limon - about half on pipeline clean-ups and half on other projects - scientific studies, the sanitary landfill and so on," says Ed Metcalf of Occidental. The company has sponsored studies on mammals, fish and insects and planted over 400,000 trees - 20 times more than the figure required by the Natural Resources Institute.

BP, which is drilling deep wells in an area with highly-complex geology, has introduced "powerful and sophisticated equipment," says Phil Mead, the operations manager. All the water at Cupiagua 1 is recirculated in a series of three minimum-sized pits, and water - rather than oil-based mud - is being used for drilling. There have been problems with two sites - one where a landslide occurred and another where the local community complained that the well was located too close to a river.

Carlos Fonseca, an environmental expert at Bogota's Lasalle University, says: "The outlook is very positive now; both national and foreign companies are much more aware. But employees need extra training for the new standards and we must have more environmental audits." Although everyone agrees there is still room for improvement, Colombians have come to associate the image of oil-soaked birds with guerrilla actions rather than company operations.

WORLDWIDE WATER

Commerce and culture prompt a cleaner Japan

Tokyo wants purer supplies, writes **Robert Thomson**

When the Russian navy confessed last month to having routinely dumped nuclear waste materials in the Sea of Japan, government leaders in Tokyo reacted with uncharacteristic bluntness, describing the action as "unbelievable" and a "disgrace".

The tough response reflects the Japanese sensitivity to water purity, a sensitivity heightened by the country's past mishandling of its own water resources and by an ongoing debate over balancing the needs of industry with the rights of domestic users to clean water.

But it is typical of the Japanese response to the dilemma that the government did not only criticise Russia. Today, Kiichi Miyazawa, the prime minister, will offer technological assistance to Russia's nuclear industry at a meeting of finance and foreign ministers of the Group of Seven leading industrialised nations.

In a sense, the Russian navy had done in the 1990s what Japanese industry was guilty of during the rapid years of industrial growth in the 1950s and 1960s. Inspired by a desire to "build a strong Japan", the country consciously sacrificed the quality of its river and sea water for the cause of industrial growth.

The turning point in Japan came after the Minamata poisoning case, which began in 1957 and still dominates any debate on water quality. Chisso, a chemicals manufacturer, had pumped mercury refuse into the waters around the town of Minamata, on the southern island of Kyushu, contaminating fish and leading to the poisoning of the local population and the deformity of newborn children.

Chisso denied responsibility and continued to pump materials into the sea long after the first cases were discovered, but has since admitted its guilt. Meanwhile, negligence actions are still moving slowly and painfully through the Japanese courts in an attempt to prove that government controls were too lax. Even without a clear court precedent, the images of Minamata were shocking enough for the government to take action.

The Minamata case challenged Japan's self-image. Water and its purity are a prime inspiration for poets and painters, while the eating of fish, raw or cooked, is seen as part of the Japanese culture. The mass poisoning of a local community prompted many to conclude that the Japanese way of life, along with water, was in need of protection.

Tetsuya Ikeda, chief of the water supply division at the Ministry of Health and Welfare, says the accumulation of industrial

Water and its purity are a prime inspiration for poets and painters, while the eating of fish, raw or cooked, is seen as *essential to the* culture.

pollution from the high-growth era still affects the water supply, in spite of two decades of anti-pollution campaigning that has imposed increasingly tough standards on factories.

"The biggest problem for us now is to get rid of the foul smell and unpleasant taste of water," Ikeda says. The problem is particularly severe in the greater Tokyo area, home to 30m people and still a heavy industrial centre.

"In 1983, we found about 80 sources were polluted, and less than 10m people suffered with bad smell and taste. Last year 100 sources had a problem and about 20m people suffered."

Concern about water quality has stimulated demand for mineral waters, increasingly used by parents fearing for their children's health. Technically, Ikeda says, that there is no danger to health from Tokyo water, but youth magazines have gone as far as encouraging their readers to use only mineral water when shampooing their hair.

Domestic mineral water production rose from 101,000 kilolitres in 1989 to 300,000kl last year, while mineral water imports rose from 16,279kl to 45,594kl over the same period. The Japan Mineral Water Association says "people are worried about their health", and want to be certain that their drinking water is pure.

Demand for pure water has led to a doubling of water purifier sales in each of the past three years. Toshiba, the electronics group, this month launched new coffee makers and kettles with built-in purifiers. Mitsubishi Electric has just begun selling high-powered engines for domestic wells, increasingly popular among families wanting to draw their own water.

There is also widespread concern about preserving natural water courses. The most controversial environmental issue in Japan over the past five years has been a plan to dam the Nagara River, in the Chubu region of central Japan. Local opponents to the project say the dam is unnecessary and will threaten wildlife, while the regional government argues that it will prevent flooding and make better use of water resources.

The Nagara dispute and a current political scandal, involving kickbacks to politicians for public works projects, have led to greater public debate over the management of resources and stimulated interest in the privatisation of water resources. Typically, the construction ministry will undertake large infrastructure projects, while the resources will be managed by local governments.

Electricity and railway networks are privately run in Japan and the government has sent a delegation to study the British experience in water privatisation. But a member of the delegation says the management efficiencies that may result from privatisation are not compelling enough to overcome bureaucratic opposition to such reforms.

PEOPLE

KPMG set to pick Sharman

Colin Sharman, head of consulting at accountants KPMG Peat Marwick, is set to become senior partner of the firm when Jim Butler retires at the end of the year.

A nomination committee to choose Butler's successor made Sharman its single recommendation for the appointment last month and is now taking further soundings before a final meeting of the firm's board of 26 senior partners on April 27.

Its view is unlikely to change, although the decision must be ratified by a vote of the full partnership - 600 in all. The nomination committee itself comprises four members of the firm's board, and three others chosen by the partnership at large.

"At 64 I'm getting to be quite an old man by the standard of some of the partners," Butler says. He is likely to pursue other activities but has not yet made a decision on what these would be.

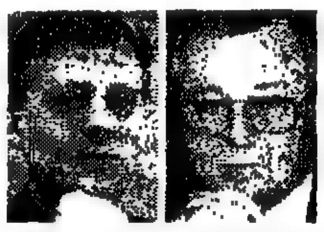
Sharman (above) has been credited with turning around the consulting division of the firm, and is currently responsible for implementing "20/20 vision", a wide-ranging programme to restructure the internal organisation of the firm and make it more focused on its clients' needs.

Butler's retirement as senior partner will follow shortly after his resignation as chairman of the international KPMG network after nearly three years at the end of September.

He will be replaced by Hans Havermann (far right), senior partner of the firm's German practice and chairman of its European board. Jon Madonna, senior partner of the US practice, will become international deputy chairman, and Ross Walker, Canadian senior partner, international executive partner.

■ The appointment of Stephen Barrett (right) to the corporate finance division of KPMG Peat Marwick marks the first time a lawyer and merchant banker has become a partner in the accountancy firm.

Barrett began his career as an assistant with solicitors Norton Rose and became a member of the Law Society, before switching to merchant banking. He worked for 10 years at Lloyds Merchant Bank before its closure, which was announced late last year.



He says he joined KPMG partly because of its range of professional expertise and industry knowledge. He also argues that corporate finance is polarising between the "big battalion merchant banks" and the professional service providers such as his new firm. It is those in the middle which will be squeezed, he argues.

"Gone are the days when a client simply wanted a transaction manager," he says. "They want an adviser to participate in their growth and be truly pro-active."

He says the transition from the racy culture of a banker to the more sober corridors of accountancy is not proving too great, partly because of the nature of those already working in KPMG's unit.

■ Stephen Goodwin has been appointed md of TIPHOOK RAIL; he replaces John Emms, who becomes director Asia & Australasia.

■ Michael Phillips, md of Thames Television International, has been appointed a director of THAMES TELEVISION.

■ Mike Rogers, chief executive, will become executive chairman of NESTOR-BNA on June 1; Alan Pilgrim, md of BNA, will become group md.

■ Michael Winstanley, formerly president of Albright & Wilson Americas, has been appointed finance director of ALBRIGHT & WILSON Ltd on the retirement of Hugh Podger.

Fleming scoops up a Rockefeller

The Rockefellers may not be as rich as they once were, but the name still has a cachet in financial circles. Hence the appointment of David Rockefeller, head of the fourth generation of the family, as a non-executive director of Fleming Overseas Investment Trust, is quite a coup for London merchant bankers Robert Fleming.

Lord Mark Fitzalan Howard, the Fleming director in charge of the group's investment trust operations, says that his bank has been associated with the Rockefeller family for many years. The two parties used to have a joint venture which invested in unquoted securities and Rockefeller Financial Services, which looks after the family's extensive business and philanthropic interests, has an office in Fleming's headquarters.

Despite his name, David Rockefeller, 51, is a relatively recent convert to big business. After studying economics at Cambridge University and law at Harvard, he worked as assistant manager of the Boston Symphony Orchestra for five years before becoming executive vice-president of The Real Paper, a liberal weekly based in Cambridge, Massachusetts. During his newspaper sojourn he also moonlighted as a singer with The Boston Camerate.

However, after a short spell as an adjunct professor at Columbia University's School of Arts in New York he joined the family firm as a consultant in 1982. Ten years later, he was elected chairman of Rockefeller Financial services succeeding his father, once chairman of Chase Manhattan Bank.

The Rockefeller family fortune, estimated by Forbes magazine at $5.5bn, is shared out among the near 100 members of the family of John D Rockefeller, founder of Standard Oil and the world's first billionaire.

In Shops settles its succession in-house

After almost two years without a managing director, In Shops, the Birmingham-based property group specialising in retail centres and serviced offices, has appointed Derek Hine, 40, to the position.

Hine joined In Shops in May 1991 as managing director of its main subsidiary, retail centres, but also took over running its executive centres last year, and was appointed to the board last December. After waiting until it was sure it had the right candidate, In Shops has now decided to name Hine group managing director, in succession to John Hoesli, who died in 1991.

He will be responsible for day-to-day running of the group, while Tim Brookes, chief executive, will oversee strategy. Hine has 23 years of retail experience, firstly with Fine Fare, where he started as a Saturday boy in 1968 and rose to become buying director of meat and poultry.

He spent a year with Dixons financial services division before being approached in 1988 to be director of Ranks Hovis McDougall Retail, running 300 cafes and bakery shops across the UK.

He says his main challenge at In Shops will be trying to protect clients on the retail and office side from the effects of recession, which pushed In Shops' interim pre-tax profits down from £1.05m to £903,000 last December. "Times are tough but we are certainly not lying down and crying into our hands about how terrible the recession is. If the cake is diminished, we need to get a bigger share of the cake."

Roy Roberts, the chairman of Simon Engineering, has died at the age of 64. A distinguished engineer who undertook his apprenticeship at The Royal Aircraft Establishment at Farnborough, Roberts' career was spent mainly at GKN where he became group md in 1980 and deputy chairman in 1987.

Among other appointments, he was at one time president of the Institution of Mechanical Engineers, a member of the board of the UK Atomic Engineering Authority, chairman of the Dowty Group, and a member of the Engineering Council.

Television / **Christopher Dunkley**

Deserved encore by a master myth-maker

ASTONISHINGLY, *Edgar Reitz* has done it again. In April 1986, BBC2 brought us his 11-part series *Heimat*, one of the few real masterpieces of television fiction. With Maria Simon as its central character, it told the story of the inhabitants of Schabbach, a village in the Hunsrück area of Germany, between 1919 and 1982. In the process it conveyed the story of the German people during much of the 20th century, particularly around the period of the second world war.

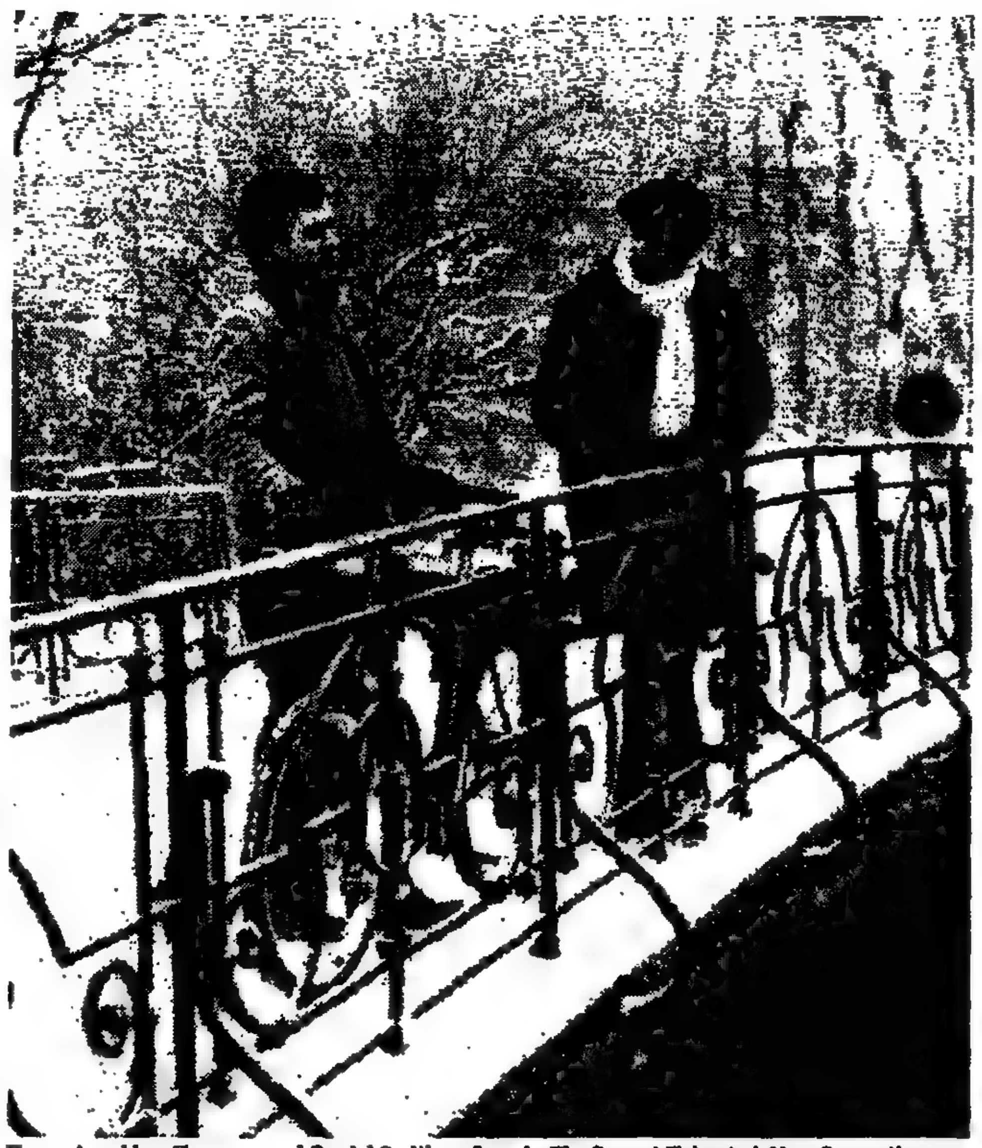
BBC2 has just finished repeating the whole, entrancing saga. So deeply involved in the lives of these characters do we become – in the minutiae which vividly illustrate the greater historical events of the time – that the end of the series brings an acute sense of deprivation similar to that caused by reading the last page of *War And Peace*.

But happily this coming Saturday evening BBC2 begins screening *The Second Heimat: A New Generation* and it seems that Reitz has not only not lost his touch but, if anything, refined and improved it. This conclusion is based upon previewing only six hours of the new work – "only" seeming the right word when you realise that Part 2 is even longer than the original: 13 episodes of two hours. But such is the magic of *Heimat* I would happily have sat through the other 20 hours, had the BBC not been still working on the subtitling. Ironically, in that it is the only aspect not under Reitz's control, the sub-titling is the one technical detail which is less than satisfactory: instead of modern white-on-black, the BBC has gone back to the inferior white-only which is so hard to read against pale backgrounds.

At the centre of *Heimat 2* is Hermann Simon, Maria's youngest son, whose passionate love affair with the older Klärchen was so cruelly destroyed by the family in Part 1. The date is now 1960 and the setting has changed from country to city, with Hermann, played by a splendid young actor named Henry Arnold, arriving in Munich to begin studying music. He becomes one of a group of young intellectuals who congregate in a large middle class house made available to them by an older woman who enjoys the company of young artists. At least for the first three episodes the development of modern music is one of the main backdrops against which the human relationships are enacted, and presumably this continues throughout.

It is not merely a matter of using music as a pretty accompaniment (much of what we hear seems to me far from pretty, though Reitz does more to endear avant garde music to me than anyone else ever has) nor of exploiting music and musicians for the sake of angst-ridden drama as in such Hollywood horrors as *Song Without End*. Reitz works the music into the very lives of his characters, and makes the difference between the new music and the old one of the keys to the differences between the generations.

Some have said that *Heimat* is merely up-market soap opera; can anybody conceive of a theme such as this in *EastEnders*? The main difference between Maria's generation and Hermann's is, of course, the experience of Nazism and here Reitz has done more, perhaps, than anyone else in the field of popular culture to deal honestly with post-war attitudes. That means neither atavistic arrogance nor the perpetual wringing of hands among his older characters, nor does it mean endless guilt and tearful rejection among the young. Mostly it means obfuscation, subtle misunderstanding, and a tendency for immediate events to distract from the enormity of what was done . . . as during the war itself, according to *Heimat 1*.



Henry Arnold as Hermann and Daniel Smith as Juan in The Second Heimat: A New Generation

There is a wonderful moment in Episode 2 of the new series when Angelika and her friends are playing Vivaldi at a birthday party and her wealthy bourgeois father slips off to play with his radio-controlled boat in the swimming pool. It encapsulates a powerful Reitz cocktail of social, political and artistic attitudes.

Reitz repeatedly makes clear his love of cinema. The subtext involving the development of stills cameras in *Heimat 1* moves on to the development of movie cameras in *Heimat 2*: Hermann's friends use an Arriflex, the camera which was originally developed for the Wehrmacht. In Episode 3 Reitz inserts a nice joke for cinéastes when one of the students says "We've just been to a film you must see: *La Notte* by Antonioni. You come out feeling like shooting yourself!" which is spot on for period and also true.

But whatever Reitz's own predilections surely neither of these huge works would ever have been made for cinema alone, nor even have been conceived without the model provided by television serial drama. A few people might be willing to devote the money and time necessary to watch 26 hours of material in a cinema, but only a few. Millions in umpteen countries watched *Heimat 1* on television, and probably millions more in even more places will watch *Heimat 2*. Such was the critical and popular success of Part 1 that there are 16 co-producers for Part 2, six German and 10 foreign, nearly all of them television companies, including the BBC.

However, saying that *Heimat* is a true product of the television serial tradition is not the same as saying that it is just high class soap opera. It certainly has some of the characteristics of soap opera: a big cast, considerable time devoted to the dramatisation of the everyday, and that extraordinarily powerful ability to make a set of fictional characters so attractive to the viewers that they simply want it to go on and on, feeling that the drama has become a part of their own lives.

You can hardly miss the fact that Reitz has a marvellous aptitude for narrative, and that he loves sex and music as well as cinema: the tastes of a sane and admirable individual. But the similarity between his work and TV soap is really no greater than that between *Madam Bovary* and the latest Mills & Boon romance which, you may say, are both novels, but that does not tell us very much. Claiming that *EastEnders* and *Heimat* are both soap operas tells us as little.

Reitz – writer, director, and producer of this vast epic – who was never exactly fumbling around in Part 1, seems even more technically assured in Part 2. Each episode now revolves around one of the friends or acquaintances of the central character. As before, the first person singular voice-over is used to powerful effect (as it was in *Brideshead Revisited*; why do so many television dramatists overlook this unique route into a character's interior life?) and Reitz is now completely relaxed about switching from one first-person voice-over to another, even within one episode. In theory it should be confusing yet it is not.

While makers of British television serial drama are besotted with the look of their period trappings (vintage cars, enamel advertisement hoardings, the precise details of Sylvia's underwear in *Lipstick On Your Collar*) Reitz can be quite casual about such things. In the first scene of passion between Hermann and Clarissa she is revealed to be wearing tights . . . in 1961? About five years too early, surely. Reitz is far more concerned with the effect of the whole image on the screen. He habitually uses monochrome for daytime and colour for night, a scheme which works much better than the arbitrary switching in *Heimat 1*. His pictures are often beautiful, and even though *Heimat 1* and *2* are products of the television age he shoots as a cinema director. There is a continuous hand-held travelling shot across a river in a snow-covered park, following a conversation between Hermann and Juan in Episode 2 which lasts 1 minute 43 seconds. No television director would dare.

Yet whatever the pleasures in technique, sub-texts, social observation, and historical analysis, what matters above all in the end is the narrative factor. Reitz uses 1993 technology, but he is really the story teller beside the fire at the mouth of the cave, surrounded by a rapt audience whispering "What happened next?"

Jazz

Stunned by a mighty Pine

Those people at the Jazz Cafe in London whose last experience of jazz saxophonist Courtney Pine was his 1992 disc *To the eyes of creation* must have stumbled into the Camden night feeling dazed and confused last week, not to mention a little deaf.

Leading an acoustic group which included South African Bheki Mseleku at the keyboard, the young tenorist – he is 29 – left his similarly young audience with the look of a colony of rabbits caught in the headlights of an oncoming juggernaut.

Although the tunes were taken from the album, an easy and persuasive mix of reggae and soul-washed modern jazz, they were delivered with such fierce and sometimes brutal fervour, it seemed that Pine might be exorcising their memory.

"Healing Song", a bright and easy opener for the album was started caustically by Pine before he was even in sight. By the time he had reached the stand, striding around the upper gallery, drummer Mark Mondesir had established a polyrhythmic barrage of sound down below and the tenorist's sonic attack was under way. "Country Dance", another ostensibly beguiling tune, exploded into an extraordinary and somewhat two-dimensional assault with drummer Mondesir all but suffocating Wayne Batchelor's string bass, Mseleku's piano and Cameron Pierre's acoustic guitar.

Respite from Pine's abstract soprano scribbling and curtain of tenor modality finally came with the hymnal "Psalm", a traditional song beautifully arranged by the leader. Bheki Mseleku unfolded the irresistible melody, though the sound quality did him no favours and Mondesir held off for a while. The reprieve was short-lived, however, and Pine returned to purge the melody with a display of circular breathing at the soprano which only just failed to find the resonant frequency of the bar's cocktail glasses.

One after another, seemingly innocent tunes were dragged by Pine and Mondesir into a harsh and free environment to be wrung of all their sweetness.

The night was not entirely filled with reed abuse, however, and further rest periods were provided by the appearance of Talvin Singh whose reverberating tablas led Pine's soprano in a cheeky duet. Mseleku tried his hand again with a cut from his own album "Celebration" but the sound from the keyboard had not improved and the eager "township" contagion was all but lost.

This sort of display of firepower and technical brilliance gone haywire is not to everyone's taste of course, but in Pine's hands it does have a curiously purging effect on the senses. When it comes out of a composing and organisational talent as fresh as his, it is exhilarating.

Garry Booth

Theatre

A powerful experience way down South

From The Mississippi Delta at the Cochrane Theatre is a partly autobiographical play about the Deep South written by Endesha Ida Mae Holland. In America, the play opened in Buffalo and New York, and in England at the Young Vic (1989). This Talawa Theatre production makes powerful, high-energy theatre: fine acting in a bare set, with no props.

The central characters, shared by the three actors, represent the black American experience during the civil rights activism of the 1950s and 1960s. The play is set in Greenwood, Mississippi in the early 1960s, and stretches forward and back from there. By then, that day in 1955 when Rosa Parks failed to give up her bus seat in Montgomery, Alabama had become civil rights history; Martin Luther King emerged as the leader there in 1955, but the activists were slower to reach the delta.

The play focuses on the life of Ida Mae Holland and her mother, Aunt Baby, who was a midwife. There are pictures of domestic toil, a terrifying breach-birth scene, and vignettes of neighbourhood characters; out of these, Ida Mae Holland's character emerges with a decency and honesty born of hard work and deprivation: "Yo' c'n look over yo' friends when yo' is low, but yo' sure c'n't look over them when yo' is pickin' in high cotton."

She tries erotic dancing, prostitution, self education and then college in Minneapolis; north of Memphis, *en route* to Chicago, the diner car joins the train – "and *anyone* can eat there." But before she graduates, her mother is burned to death by arsonists, the scent of Magnolia and burnt flesh on the delta breeze.

The final scene pays tribute to Martin Luther King, Jimi Hendrix (the inimitable "Star Spangled Banner") and Alice Walker, who says simply, "we are not the first to suffer." While Ida Mae Holland lacks the popular appeal of Toni Morrison or the depth of Zora Neale Hurston, she does speak for black women's lives; like her mother, "she taught us we could do more things than she had words for."

The easy physicality and trust between the actors (Pauline Black, Josette Bushell-Mingo and Joy Richardson) creates and focuses energy on stage, while the direction (Annie Castledine and Sue MacLennan) drives the action quickly around the bare set walled with rusty corrugated iron. The *a capella* singing, however, tempts one to wish for something more substantial; some delta blues on slide and harmonica would add musical body, but the singing at the revivalist funeral is still unforgettable.

Andrew St George

Cochrane Theatre (071-242-7040) until May 1; Contact Theatre, Manchester (061-274-4400) May 12 – June 5.

Opera in Switzerland

French without tears

The days when French singers were deemed necessary for French opera are long past. We want to hear the repertory, but there are no longer enough good native singers to go round. One solution is to sing in the vernacular, but this destroys the unique tonal blend of word and vocal line in French music. Another is to find non-French singers who have mastered the subtleties of the language – as in the latest Geneva staging of Poulenc's *Dialogues des Carmélites*. Or you engage a stock international cast who muddle their way through as best as possible, as Zurich has just done for Massenet's *Hérodiade*.

Switzerland's linguistic mix means that audiences never have trouble understanding French when it is intelligently sung. But finding the right singers is no easier than elsewhere. This puts a premium on the artistic judgment and casting skills of theatres, qualities for which Geneva's Grand Théâtre has become justly renowned. Recent seasons have included *Louise*, *Ariane et Barbe-bleue*, *Mireille* and *Benvenuto Cellini*, all with Anglophone principal singers. Now comes Poulenc's Christian tragedy – with Felicity Palmer, Marie McLaughlin and Alison Hagley as the three nuns whose words count the most.

They did themselves proud, and in the case of Miss Palmer's Old Prioress outstandingly so – not just in her fearless French declamation, but in her very human portrait of a woman whose redoubtable exterior crumbles before the agony of death. As Constance, Miss Hagley was spontaneous and child-like, a perfect foil for Blanche as portrayed by Miss McLaughlin: a troubled spirit searching for inner peace, sung and acted with quiet intensity. In the same way, Martine Dupuy's obsessive Mère Marie was the alter ego of Valérie Millot's fragrant, pragmatic Madame Lidoine.

This is an opera of opposites, all of them underlined in François Rochaix's staging. Robert Dahlstrom's representational decor allowed each scene to dovetail into the next. Here was the turmoil of Paris next to the solace of Compiègne, revolutionary hysteria face-to-face with religious order, mundane chatter amid a world of prayer. This most Catholic of operas made strong theatrical sense – never more so than when the nuns mounted the scaffold one-by-one in the final scene. And it would be hard to imagine Poulenc's serene, unspectacular music sounding more heartfelt than in the hands of Michel Plasson and the Suisse Romande Orchestra.

On these terms, the charge of longwindedness is hard to sustain. The criticism might be better targeted at *Hérodiade*, judging by the Zurich Opera House's belated 150th anniversary tribute to Massenet. This grand operatic treatment of the Salome story has survived on the fringe of the repertory as a vehicle for star singers. What it really needs is a trenchant modern staging.

Zurich built this revival around José Carreras and Grace Bumbry, but Carreras cancelled, causing renewed worries about his health. Miss Bumbry, pro that she is, struggled valiantly to give the show some credibility. The odds were against her. Carreras' replacement as John the Baptist was Boiko Zvetanov, a young Bulgarian with a sweet voice, who sang with little dramatic purpose in a mush of vowel sounds. The virginal Salome was Cecilia Gasdia, who was similarly uninvolving, despite her touching delivery of the first act aria "Il est doux". As Herod, the American lyric baritone Rodney Gilfry enunciated well, but seemed temperamentally at odds with such a mature part. More convincing were Laszlo Polgar's Phanuel and the orchestra under Manfred Honeck, who made the most of Massenet's fund of lush melodies.

No expense had been spared on Gian-Franco de Bosio's staging, a fancy dress parade framed by arched columns and regularly interrupted by a quaint pictorial drop-curtain (designed by Pasquale Grossi). It was money down the drain. The chorus looked as if they were rehearsing for Verona. The ballets ranged from elementary acrobatics to a crotch-dance by a pretty boy in a loin cloth. To describe this as kitsch would be too generous.

Andrew Clark

INTERNATIONAL ARTS GUIDE

■ BONN

Valery Panov's new production of Prokofiev's ballet Romeo and Juliet can be seen at the Opera House tonight, Sun, next Tues and Fri. The repertory also includes Giancarlo del Monaco's productions of Der Freischütz (tomorrow) and Otello with Julia Varady and Alexei Steblianko (Sat), plus Puccini's Trittico staged by three women directors (next Wed). Steblianko and Larissa Shevchenko give a song recital on Mon (773667)

■ COLOGNE

CONCERTS
Tonight: Deutsche Kammerphilharmonie plays Bach and Scheidl, with soloists Christian Altenburger and David Geringas. Tomorrow and Sun: Moscow Gudsil Orchestra in an evening of Russian dance and song. Fri: Wolf-Dieter Hauschild conducts German Youth Orchestra in works by Brahms and Rakhmaninov. Sun morning, Mon and Tues evening: James Conlon conducts Gürzenich Orchestra in works by Mozart and Mahler, with piano soloist Radu Lupu. Next Wed: Kirov Opera (Philharmonie 2801)
OPERA/DANCE
Tonight and next Wed: Rossini double bill. Tomorrow: James Conlon conducts Liviu Ciulei's new production of Cosi fan tutte. Fri: Billy Budd. Sat and next Tues: TanzForum triple bill (Opernhaus 221 8400)
THEATRE
A new production of Shakespeare's As You Like It, directed by Torsten Fischer, opens at the Schauspielhaus on Sat, repeated Sun and Mon. A new production of Lorca's Dona Rosita, directed by Marlene Steeruwitz, opens at Kammerspiele on Sun, repeated Mon. Repertory at the Schlosserei includes Nigel Williams' classroom drama Class Enemy (221 8400)

■ COPENHAGEN

Royal Theatre Tonight, tomorrow, Sat: John Neumeier's production of Prokofiev's ballet Romeo and Juliet. Fri and Mon: La traviata. Next Wed: Drot og Marsk, Danish historical opera (3314 1002)

■ DUSSELDORF

Deutsche Oper am Rhein Tonight and tomorrow: ballet double bill choreographed by Heinz Spoerli. Fri: Merry Widow. Sat and next Tues: ballet mixed bill, including Forsythe's In the middle. Sun: Der Rosenkavalier (211-8908 211).
Duisburg Theatre has Giselle on Fri and the first night of Pet Halmen's new production of Turandot conducted by Fabio Luisi on Sat, repeated next Tues, Thurs and Sun (203-3009 100)
Schauspielhaus Tonight: Shakespeare's A Midsummer Night's Dream. Tomorrow and next Wed: Büchner's Leone and Lena. Fri and Mon: Brecht's Herr Puntila. The Kleines Haus has David Mouchtar-Samorai's new production of Gorki's Summer Guests and Klaus Pohl's topical play about German xenophobia, Die schöne Fremde (211-162200/211-369911)

■ FRANKFURT

Alte Oper Tonight and tomorrow: West Side Story. Fri and Sat: Valery Gergiev conducts Kirov Opera concert performances of Boris Godunov and Queen of Spades. Next Tues: Eivind Aadland conducts European Community Chamber Orchestra in works by Britten, McCabe, Mozart and Haydn, with piano soloist Lazar Berman. Tues (Mozart Saal): Endellion Quartet (1340 400)
Opernhaus Fri and Sun: Il matrimonio segreto. Sat and Mon: Rigoletto with Eduard Tumagian (236061)

■ GOTHENBURG

Konserthuset Tomorrow evening, Sat afternoon: Heinz Wallberg conducts Gothenburg Symphony Orchestra and Chorus in Brahms' German Requiem, with Gunnel Bohman and Siegfried Lorenz. Next Tues: recital for two pianos by Bengt Forsberg and Erik Risberg. Next Wed: Cologne Radio Symphony Orchestra (167000)
Stora Teatern Tonight, Sat, next Tues, Wed: Robin Stapleton conducts Francesca Zambello's production of Falstaff, with Ingvar Wixell. Runs till June 5 (131300)

■ HAMBURG

Staatsoper Tonight and Sun: Otello with Sharon Sweet and René Kollo. Tomorrow, Fri, next Wed and Thurs: Weill's Mahagonny. Sat: Neumeier's ballet set to Mahler's Third Symphony (351721). Mon and Tues in Deutsches Schauspielhaus: Ute Lemper (248713)
Musikhalle Tomorrow: Pinchas Zukerman recital. Fri: Juliette Greco. Sun morning, Mon evening: Claus Peter Flor conducts Hamburg State Philharmonic Orchestra in Elgar's Cello Concerto (Truls Mork) and Shostakovich's Tenth Symphony. Sun evening: Mozart's C minor Mass (354414)

■ MUNICH

Herkulessaal der Residenz Tonight: Marek Janowski conducts Bavarian State Opera concert performance of Parsifal, with Siegfried Jerusalem, Jan-Hendrik Rootering, Wolfgang Brendel and Waltraud Meier (221316). Mon: Hagen Quartet. Tues: Juilliard Quartet (299901)
Cuvilliés-Theater Tomorrow, Sat, next Tues, Thurs, Sat: Peter Schneider conducts Theo Adam's production of Capriccio, with Pamela Coburn (221316)
Prinzregententheater Tomorrow, Fri, Sun: Bavarian State Opera production of Schoenberg's Pierrot Lunaire and Busoni's Arlecchino (221316)
Gasteig Tomorrow and Fri: Leonard Slatkin conducts Bavarian Radio Symphony Orchestra in Vaughan Williams' Tallis Fantasia, Edward MacDowell's Second Piano Concerto (Jeffrey Siegel) and Shostakovich's Sixth Symphony (4809 8614)

■ STOCKHOLM

Royal Opera Tomorrow, Sat afternoon, next Mon: Pelléas et Mélisande. Fri: Les contes d'Hoffmann. Next Tues: Boccaccio (248240)
Konserthuset Tomorrow and Sat afternoon: Nicholas Cleobury conducts Stockholm Philharmonic Orchestra and Chorus in Haydn's Seasons. Next Tues: Hans Vonk conducts Cologne Radio Symphony Orchestra in works by Beethoven and Bruckner, with piano soloist Roland Pöntinen (244130)
Berwaldhallen Fri and Sat afternoon: Evgeny Svetlanov conducts Swedish Radio Symphony Orchestra in Mahler's Ninth Symphony. Next Thurs and Fri: Svetlanov conducts Rakhmaninov and Rimsky-Korsakov (784 1800)

■ PARIS

● Tonight's performance at the Bastille is Bob Wilson's production of Die Zauberflöte, with David Rendall and Cynthia Haymon. In repertory till April 27 with Robert Carsen's production of Manon Lescaut, with Miriam Gauci and Vasile Moldoveanu. Fri: Myung-Whun Chung conducts the Opéra Orchestra in a Berg and Mahler concert, with soprano Cheryl Studer (4473 1300)
● Vladimir Fedosseyev conducts Orchestre National de France in works by Sibelius and Tchaikovsky tomorrow at Théâtre des Champs-Elysées, with violin soloist Julian Rachlin. Next Tues: June Anderson song recital (4952 5050)

■ STUTTGART

Staatstheater Tonight: Alan Hacker conducts Cosi fan tutte. Tomorrow and Sun: Tom Cairns' production of La boheme. Fri: Die Zauberflöte with Glen Winslade and Helmut Berger-Tuna. Sat and next Wed: Gabriele Ferro conducts Johannes Schaaf's production of Wozzeck, with John Bröcheler. The drama repertory in Kleines Haus includes a new production of Odon von Horvath's Glaube Liebe Hoffnung, plus Shakespeare's Romeo and Juliet and Rodney Ackland's Absolute Hell. Theater im Depot has a new production of Shout Across the River by British dramatist Stephen Poliakoff (221795)

■ LEIPZIG

Gewandhaus Tomorrow and Fri: Claudio Scimone conducts Gewandhaus Orchestra in works by Donizetti, Brahms, Clementi and Respighi, with piano soloist Michael Ponti. Sat: Ponti plays sonatas by Beethoven, Liszt and Chopin. Sun: songs and piano trios by Mendelssohn. Next Tues: Krzysztof Penderecki conducts MDR Symphony Orchestra in works by Prokofiev, Shostakovich and Penderecki, with cello soloist Tim Hugh (7132 280)

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(All times are Central European Time)
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Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Arts Guide
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandanavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

Edward Mortimer

Foes with shared values

There is much in common between Islam and the west

"Have mercy upon all Jews, Turks, Infidels, and Hereticks, and take from them all ignorance, hardness of heart, and contempt of thy Word; and so fetch them home, blessed Lord, to thy flock, that they may be saved among the remnant of the true Israelites, and be made one fold under one shepherd, Jesus Christ our Lord..."

One no longer hears that collect read in Anglican churches on Good Friday, as one used to when I was a schoolboy. At some point, well before the phrase "politically correct" became current, it was quietly dropped. The words might be construed as offensive to the categories of people mentioned: Jews, Moslems, atheists and Christians of other denominations. And since the Church of England does not wish to cause offence, it altered its liturgy.

Of course, if you really believe – as the author of the collect presumably did – that people who do not share your religious beliefs are missing their only chance of eternal bliss, you should pray for their conversion whether it offends them or not. But few Anglicans nowadays do believe that. Even the Pope, I suspect, no longer insists absolutely on the doctrine of extra *ecclesia nulla salus* (no salvation outside the church). He seems to regard other religions, especially monotheistic ones, less as competitors than as potential allies of Christianity in the great battle between God and mammon.

Britain's Chief Rabbi, Dr Jonathan Sacks, shares that view. In his 1990 Reith Lectures he urged religious minorities to support the established church, it being the only national institution capable of giving a religious dimension to Britain's public culture. The argument is quoted with approval by a Moslem scholar, Tariq Modood, in one of the thoughtful essays published last year under the title Not Easy Being British (Runnymede Trust and Trentham Books, £7.95). Modood is anxious to head off an attempt by secularists to use the supposed sensitivity of non-Christian minorities to advance the cause of disestablishment – something which, he says, has not been demanded by any minority faith organisation.

Moslems found much more understanding for their campaign against Salman Rushdie's Satanic Verses among the Christian clergy than they did in the secular intelligentsia. That may seem surprising. In earlier ages Christian writers depicted Islam as a vicious and fanatical heresy, and it was anticlerical liberals who first painted a different picture, of a civilised Islam, which they contrasted with the reactionary obscurantism of the Catholic establishment at home.

Now the boot is on the other foot. Islam is again seen as a threat to established western values, but those values have become more liberal than Christian, and some Christians see Islam as a possible ally in an effort to stem the tide of liberal triumphalism.

Some Christians see Islam as an ally to stem the tide of liberal triumphalism

Is there in fact an irreconcilable conflict between Islam and western values? Many on both sides would say yes. Many Moslems see the west as completely godless and amoral, dominated by crime and pornography at home, brutal and arrogant in its behaviour towards the rest of the world, and nursing a special animus against them, the Moslems. From Bombay to Bosnia, passing by Iraq and Palestine, Moslems see themselves as victims, with "the west" always directly or indirectly the aggressor. In his powerful TV series, Living Islam, starting tonight on BBC2, and in the accompanying book (BBC Books, £15.99), the Pakistani anthropologist Akbar Ahmed even called the war in Bosnia the "last crusade".

Similarly, many in the west see Islam as irredeemably violent and repressive. Neither side has any difficulty in finding evidence to support its view, and of course each is reinforced by the other.

But both "Islam" and the "west" can be regarded either as ideals or as civilisations. If we think of them as ideals, we may have difficulty in defining them precisely because so many different people identify with them in each case and there is such a variety of interpretations on offer. Clearly they are not identical: the west puts more emphasis on the value of each individual human being, while Islam insists on the centrality of God. But there is a considerable overlap in the core values that both proclaim: peace, justice, compassion, tolerance; even equality and the use of reason to acquire knowledge.

If we think of them as civilisations we are confronted with even greater diversity on both sides. They are composed of millions of human beings, nearly all of whom fall short in practice of the ideals they claim to believe in; and here too there is an increasing overlap. Not only do some 10m Moslems live in the west; equally significant is the presence of so many aspects of western civilisation within Moslem countries.

More than anything it is the impossibility of making a complete break with the west that drives some Moslems to desperation. They may succeed in defining an "Islam" that is completely antithetical to the west, but their chances of imposing it durably on any part of the Moslem world are virtually zero. Revolutionary Iran and conservative Saudi Arabia alike are driven all the time to make compromises, though in very different ways.

The Moslems' extremist myth of a monolithic and malign west is as futile and misleading as the view, current in some western circles, that a monolithic, malign Islam has replaced communism as our most dangerous enemy. This indeed is the main point of Prof Ahmed's series; as an articulate Moslem living in the west, he hopes to persuade both sides to see good as well as bad in each other.

Michael Cassell follows an export manager to the front lines of the battle to boost UK sales abroad

Long and winding road to recovery

Mr Ed van Der Heijden tunes his car radio to the BBC while he speeds towards Antwerp and a hotel bed. A highway exit sign beckons motorists to nearby Boom as Norman Lamont, the UK chancellor, unveils his Budget for sustained recovery.

There is to be extra help for Britain's exporters. Mr van der Heijden knows a lot about exporting. He also knows a great deal about deep fryers, coffee grinders, rice cookers, blenders and mixers. Ask him anything about German buns, Belgian bread or Danish meatballs. Test him on calibrated food pushers, juice centrifuges or cordless kettle jugs.

As an export manager for Kenwood, the Hampshire-based manufacturer of food preparation appliances, Mr van der Heijden, 49, is a mastermind on his products and his marketplace. That is a requirement of the job if you battle daily for business against big guns such as Philips, Moulinex, Braun and Bosch.

Kenwood, with a strong brand name behind it, annually turns out 1.75m appliances from its Havant factory and survives on exports. Two-thirds of its £100m annual sales are made outside the UK, one-third of them in continental Europe.

At Kenwood's heart is the Chef, a food mixer launched 45 years ago and which has since whisked and beaten its way into more than 7m kitchens. Something of a cook himself, Mr van der Heijden talks of the appliance in reverential tones.

He and his colleagues are at the sharp end of Mr Lamont's calls for an export-led recovery. His job relies on encouraging and cajoling distributors and agents to sell Kenwood. His salary is performance-related; fewer sales mean less take-home pay for him and lower earnings for Britain.

The completion of the single market, with its 344m customers, means little for companies already well entrenched on the Continent. Trading barriers may be down but markets are still characterised by wide differences in pricing, distribution and retailing patterns.

There is no such thing as common pricing. The Chef, for example, costs twice as much in Switzerland as in the UK. While big, national retailers ease the logistics of distribution in the UK, a proliferation of small independent businesses in Germany means more complicated supply chains.

There may have been big strides towards technical harmonisation across the EC but UK consumers still often find themselves expected to pay extra for a three-pin plug.

For Kenwood and other British companies selling in Continental Europe, the more immediate challenge lies not in adapting to structural change but in winning orders. Deepening recession means shops empty of goods and falling sales.

But Mr van der Heijden relishes the challenge. His particular patch includes Holland, Belgium, Luxembourg and some former communist countries. A long-time UK resident, German-born, with a Dutch father and English and Danish former wives, he can talk small appliances in four languages.

Kenwood's man has today notched up a few more of the 25,000 miles a year he drives to help win sales. The company's pioneering founder, Kenneth Wood, may have buzzed about Europe in his own executive aircraft, but Mr van der Heijden stays firmly on the ground.

When he started, he had to scour Europe for sales in his own, ageing Mercedes. "If I did more than 200 miles, my mileage allowance was halved. Every bit of the route had to be approved in advance, to make sure it was the shortest."

In 1989, however, Kenwood's executive directors, led by a former Treasury official, Tim Parker, organised a management buy-out from Thorn-EMI and last July the company floated on the London Stock Exchange. Now Mr van der Heijden has a 5-series BMW and is not afraid to use it.

His long day had begun in the Netherlands at the offices of Beska Nederland, a Kenwood distributor near Eindhoven owned by Henk Beckmann, whose ocean-going yacht testifies to his success in importing electrical appliances.

Nicola, his daughter, is product manager. She says British electrical products now enjoy the confidence of Continental consumers. "Kenwood products are as good as any. Reliability is excellent; prices are stable and competitive".

As Mr van der Heijden leaves the room to take a telephone call from a Polish customer, Mr Beckmann welcomes Kenwood's recent expansion into products such as shavers and hair dryers. But he adds: "They left it very late. They were seen as a one-product company without the range needed to take on the competition."

With a £50,000 order in the bag, Mr van der Heijden returns to explain that Beska can now import some Kenwood-designed products direct from the company's new, low-cost production base in China. Quality is guaranteed, he says, drawing a discreet veil over a recent setback with an early consignment of Chinese-made coffee-making machines.

Mr Beckmann looks over a draft contract to extend his Kenwood partnership for another four years. He has one big complaint, shared by other Kenwood suppliers: "There is nothing like enough spent on advertising. The competition spends millions."

Kenwood accepts the criticism but cannot escape its status as a second division manufacturer without the financial resources available to big league players such as Bosch and Braun. Distributors must, therefore, play a large part in promoting products.

After a quick Taiwanese meal, Mr van der Heijden checks out a huge electrical superstore at Cuijk. Kenwood products seem swamped; Mr van der Heijden admires an in-store video promotion by Philips and wants the same. More store visits follow.

Next morning, he is in Aartselaar, near Antwerp, for a meeting with Jacques van den Bogaert, the growling proprietor of Asogem, Kenwood's Belgian distributor.

Thirty years ago, Mr van den Bogaert struck a deal with Kenneth Wood over a bottle of Scotch. His business now sells more than £2m of Kenwood products a year, less than Kenwood sales in France, Austria, Denmark or Germany, but still an important market.

The conversation is conducted in English, French and Flemish. Mr van den Bogaert generally holds Kenwood in high regard but reckons it has been slow off the mark with new products: "Belgium buys 600,000 coffee-makers a year. What have I got to offer from Kenwood? – nothing." Patience, says Mr van der Heijden, the Kenwood models are on their way.

Mr van den Bogaert is also concerned about Kenwood's prices. "Why aren't they reflecting the near-20 per cent devaluation in sterling?" he asks. Kenwood, Mr van der Heijden reminds his customer, has changed to invoicing in local currencies in order to stabilise selling prices. "Devaluation was a bonus but we bear the risk on currency fluctuations. He didn't phone up offering to take lower margins when sterling strengthened," says the export manager.

Mr van den Bogaert laughs but is not amused. He adds: "They [the British] are financially very bright but still not commercial enough." But Thierry Vander Elst, Asogem's commercial director, balances the criticism by heaping praise on the commercial section of the local British consulate: "It is excellent. They leave the others standing."

Lunch at the local tennis club ends in a skirmish about plans to expand the network of family-run Kenwood dealer centres around Belgium. Asogem had originally suggested up to 150 but now talks of 75. It is the first Mr van der Heijden has heard of the plans.

He next drives to Brussegem near Brussels, where Agnes Willems runs just such a Kenwood centre. She seems unhappy about selling quality products marked "Made in China".

It is early evening and the man from Kenwood is done for the day. He sets off for the Luxembourg border and another hotel. At the weekend he will be home to see his 15-year-old daughter and to plan the next trip.

He says he still loves his job, but insists that he works to live, not the other way round. But ask him for a personal ambition and he instinctively responds: "Five per cent of the European market for mens' shavers – that would be great."

LETTERS TO THE EDITOR

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Technically superior economic model – but of little benefit

From Prof Wynne Godley.

Sir, According to Jeremy Bray (Letters, April 7), "Despite ill-informed press criticism, economic modelling practices in the UK are in most respects technically well ahead of those in the US" – the result, apparently, of the "econometric methods developed by Prof David Hendry".

Ahead of the US or not, Prof Hendry's technical advances have not resulted in any detectable improvement in the ability of the large-scale models developed under this influence to make accurate forecasts. Nor has there been any increase, flowing from best practice econometrics, in the understanding of how modern industrial economies function as systems. So what, usefully, can it mean to say we are "technically well ahead" of the US?

In my view, adverse press comment on the performance of the relevant models (not only the Treasury's model, but those of the London Business School and the National Institute of Economic and Social Research) has not been "ill-informed" at all. It has been fully justified by the deplorable, and extremely damaging, way in which public discussion, not to mention governments, have been misled by these monsters.

Wynne Godley,
King's College,
Cambridge

UK must learn a lesson from European partners

From Dr Denis MacShane.

Sir, Your editorial, "Labour and industry" (April 7), stressed the importance of institutional relationships (labour-management relations, pay, etc) inside companies instead of technological quick-fixes.

The politics of free collective bargaining practised through the 1980s bumped up labour costs in Britain far above its competitors'. The increases in productivity brought about by mass redundancies (2.3m manufacturing jobs disappeared between 1980 and 1990) could not compensate.

You refer to the "miracle companies of the east" but one of the most striking aspects of their pay relations is the much smaller ratio between salaries paid to workers and to top executives. In Britain, this gap has widened significantly, is widening and must diminish before the more harmonious workplace you rightly identify as the key to success can come into being. Perhaps, instead of a statutory minimum wage, Labour should propose a statutory maximum one.

I also question the endless reference to Asia. Surely there are plenty of European examples of countries which manage their affairs better than Britain. Small ones such as the Netherlands, Belgium and Switzerland have better records in industrial output, trade and so on. And despite horrendous difficulties occasioned by unification or political stasis, the economic records of Germany and France are far better over the past decade than the UK's.

Institutional relationships in both countries play their part. The new French government has just called in the unions to discuss economic questions while the workers on the board of Daimler-Benz and Volkswagen are working constructively with managers to re-shape the companies.

It was sad, therefore, to read the predictable 1980s response of the Confederation of British Industry to Labour's worker directors proposal. At least they merit reasoned discussion. The CBI should try to learn from what works in other countries.

Denis MacShane,
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Rather rapid rotation

From J A D'Arcy.

Sir, John Patten, the education secretary, may be the nation's headmaster (Man in the News, April 11) and, if he is, the fifth in six years. Joseph (early 1987), Baker, MacGregor and Clarke have all had their day. One wonders what readers would make of a school, or for that matter a company, that has had so many chief executives in so short a time.

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Unemployed in suspense

From Mr John Edmonds.

Sir, Samuel Brittan (Economic Viewpoint, April 8) is sympathetic to Professor Patrick Minford's view that the equilibrium rate of unemployment in the UK is 1m.

Does either Mr Brittan or Prof Minford have any idea when we might reach that equilibrium? The other 2m would like to know.

John Edmonds,
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Another Islamic bank in Europe

From Mr James Higgo.

Sir, John Gapper's article "UK acts against Islamic bank" (April 1) begins: "London-based Albaraka International Bank, the only Islamic bank in Europe..." In fact there is in Copenhagen an entirely separate bank run on Islamic principles – the A/S Islamic Bank International of Denmark – which I was visiting just last month.

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Vance-Owen plan must be adjusted to achieve greater equity

From Mr George Tintor.

Sir, For the second time in a year, the US and the European Community are attempting to impose their will on Bosnia's 1.5m Serbs. A year ago, the "independence" of Bosnia was recognised by the west despite the objections of the Bosnian Serbs. The Serbs, who constitute a third of Bosnia's population and inhabit 60 per cent of its territory, opposed independence prior to an agreement on constitutional principles.

Predictably, the Bosnian Serbs took up arms to resist being forcibly incorporated in an inherently hostile state. The consequences of their rebellion have been dreadful.

Today, the West is attempting to force the Bosnian Serbs to accept the Vance-Owen plan. Although the Vance-Owen plan goes a long way toward recognising the rights of all three Bosnian groups, including the Bosnian Serbs, it stops short of an equitable and lasting solution. The Vance-Owen plan divides Bosnia into 10 semi-autonomous regions dominated by either Bosnia's Croats, Moslems or Serbs.

The Bosnian Croats accept the Vance-Owen plan without reservation because it gives them far more territory than they could have possibly expected. The Bosnian Moslems reluctantly accept the plan because, at present, it represents the best prospect for foreign military intervention. The cost to the Moslems, however, is the abandonment of their goal of a unitary state.

The Bosnian Serbs object to the Vance-Owen plan on two points. First, the map leaves large numbers of Serbs in areas dominated by Moslems and Croats; and second, it denies the Serbs a land corridor between the large Serb-inhabited region in north-western Bosnia and Serbia itself. Given the present animosity between the Bosnian Serbs and the Bosnian Croats and Moslems, an isolated Serb region in Bosnia would become the Nagorno-Karabakh of Europe. It is inconceivable that the Serbs will voluntarily accept this arrangement.

Adjustments must be made to the Vance-Owen plan to ensure that it is fair to all three Bosnian groups. Otherwise, the country will be condemned to decades of misery.

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Wednesday April 14 1993

Mr Keynes and the Japanese

"PRACTICAL MEN, who believe themselves to be quite exempt from any intellectual influences," wrote John Maynard Keynes in the General Theory, "are usually the slave of some defunct economist." Which academic scribbler have Tokyo's bureaucrats been studying as they prepared Japan's second fiscal package in less than nine months?

Certainly not the economists who advised President Clinton that a package of tax increases and spending cuts would improve US economic performance. The voices in the air, encouraging Japanese politicians to spend their way out of recession, appear to come from Mr Keynes himself, with a little neo-Keynesian encouragement from Washington.

Not that Mr Keynes, experienced in the ways of international finance, would disagree with the America's need for Clinton-style fiscal austerity. The high long-term interest rates that US-style fiscal profligacy deliver have damaging effects on economic activity.

Japan's advantage is that it used the fat years of the 1980s to build-up a healthy fiscal surplus. By prudently avoided placing itself in a position in which old-style Keynesianism is counter-productive, it has been able to run down this surplus as economic growth has slowed.

Market reactions

Japanese fiscal activism, far from frightening investors, has allowed long-term bond rates to fall by a percentage point since the first fiscal package was announced and remain 1¼ points lower than in America. The combination of the latest Y13,200bn (£76bn) fiscal package and a recent government-managed revival of *animal spirits, has lifted the* Tokyo stock market through the 20,000 barrier, closing 44 per cent above last August's low, while the the yen has risen to a record high against the dollar.

Yesterday's announcement is also an impressive propaganda coup. By announcing the package on the eve of a summit of the world's leading finance ministers in Tokyo, the government secured the public praise of US Treasury Secretary Lloyd Bentsen, despite yesterday's news that Japan's trade surplus rose to $111bn (£73bn) in the 1992 fiscal year.

But will it work? In the short-term, Japan's fiscal activism cannot fail to boost economic growth. The package, adjusted for the various dodges and leakages which enrage zealous US officials, will inject around Y8,500bn (£49bn) worth of new spending into the economy this fiscal year, equivalent to 1.8 per cent of Japanese gross national product. The Economic Planning Agency confidently expects that the spending, mainly on infrastructure, to push GNP growth above 3 per cent this fiscal year.

Private investment

Yet fiscal expansion on such a scale *cannot replace* private spending and investment for long without leading to structural fiscal problems. *Worryingly,* the prospects of a marked revival in private-sector activity look poor, despite modest signs of an upturn in housing starts, car sales and broad money supply.

Retail sales to nervous consumers are still falling and companies say they plan to cut investment spending again this year. The appreciation in the value of the yen, which fiscal expansion and the revival in the stock market have already delivered, will *further postpone a revival in* Japanese industrial activity. In the short term, it will also make the trade surplus larger as yen import prices fall.

Even if investment demand picks up, it will take years rather than months before Japan's debt-burdened banks are able to support a recovery in private investment. The revival in the stock market, and widening of interest margins, have eased the prudential pressures on the banks. But the *yield curve remains flat,* suggesting a further cut in short-term interest rates is overdue, while bad debts are being written off at a sluggish pace.

In short, the revival in consumer demand for US imports and a fall in the trade surplus look many months away. The spirit of Keynes lives on in Tokyo. But, for all Japan's far-sighted prudence and political guile, modern-day pump-priming looks unlikely to produce quickly what the Japanese need and the US wants.

Recoupling the through train

IT WAS tempting yesterday, after Britain and China had put an end to months of wrangling by announcing the imminent resumption of talks on the political future of Hong Kong, to ask which side blinked. Was it the British or the *Chinese government that made* the crucial concession on the precise role to be played by Hong Kong officials in the talks? *Or is it* Mr Chris Patten, Hong Kong's governor, who has gone the extra distance by agreeing not to initiate the debate on his modest proposals for political reform in the colony's Legislative Council (LegCo) while the talks continue?

Entertaining as they may be, however, these questions are irrelevant. Yesterday's announcement is a compromise in which the parties have side-stepped obstacles of their own creation. It was always certain that, were talks to resume, they would take place between the two sovereign powers in dispute, *Britain and China,* with Hong Kong officials playing something of a secondary role; it was never plausible *that they could happen,* as China seemed until yesterday to be demanding, with these officials barred from seats at the negotiating table.

The resumption of dialogue is undoubtedly a welcome development for Hong Kong – provided it gets off to a brisk and businesslike start. Without it Mr Patten knew he was in a fragile position, facing the prospect of a *difficult* LegCo debate on his proposals buffetted by threats from Beijing, and the risk of a stand-off thereafter that might have seriously debilitated his governorship through the last four years of British colonial rule.

By agreeing to talk, Britain and *China have at least taken the* essential first step towards reconstituting the "through train" that was supposed to pull Hong Kong through this delicate period of transition.

Clear timetable

Yet there are also risks for Mr Patten in the new course. The most obvious is that China, rather than engaging in a serious debate *about Hong Kong's future political* structure, will see the talks as an opportunity to mount a protracted filibuster with the aim of completely derailing Mr Patten's plans. The timetable is not open-ended. One of the governor's proposals affects elections to local district boards in the colony, due to take place next year; another would mean that officials elected on that occasion would have an important role to play in choosing members of LegCo in 1995.

This means that if a balanced package of electoral reforms is to have a chance of coming into effect, it will have to be passed by the Legislative Council by the autumn. If the talks starting on April 22 move slowly, or not at all, the British and Hong Kong governments may thus again find themselves facing a familiar dilemma later this year – whether to pull out of talks and press ahead with reforms in the teeth of Chinese threats to set up a shadow Hong Kong government before 1997 and to declare any changes null and void thereafter.

LegCo's role

Talks, then, can not be an end in themselves, or indefinite in duration. Their value for Britain and Hong Kong will lie in seeking to ascertain what China itself wants for the colony before and after 1997, for while Beijing has been voluble in its denunciation of Mr Patten and all his works since October, it has been noticeably reluctant to come forward with proposals of its own.

If the negotiation means some amendment to the governor's reform proposals, so be it – provided that the outcome can be debated by, and is acceptable to, the Legislative Council. Strengthening LegCo as an autonomous legislature is, after all, Mr Patten's clearest and most sensible objective – and is more important than the precise way in which he proposes to tinker with electoral arrangements. *Enhancing LegCo* in this manner is also the best test of China's sincerity in having agreed that Hong Kong should be ruled after 1997 under the principle of "one country, two systems".

It remains entirely possible, of course, that China's objection is not to Mr Patten's precise proposals, or even to the unilateral manner in which he put them forward, but to the whole idea of having such an independent-minded legislature in Hong Kong. If that is the case, no amount of talking will suffice to bridge the gap.

An Italian empire strikes back

ENI, the state energy group, is restructuring and breaking political ties, say Robert Graham and Haig Simonian

There can be few jobs more daunting than the one facing Mr Franco Bernabè, chief executive of ENI, Italy's state energy concern and the world's eighth largest oil group.

The 44 year-old economist must pick up the pieces of an industrial empire stricken by involvement in corruption investigations and prepare its businesses for privatisation.

His efforts are being watched closely from abroad. Potential investors will scrutinise his attempts to reshape the diverse group. Foreign governments will keep an equally close eye on emerging evidence of fraud in ENI's overseas operations.

It is at home, however, that the group's affairs have caused most disruption. ENI has emerged as one of the principal paymasters in an elaborate system of graft that has sustained Italy's main political parties for two decades. Its affairs have caused the resignation of two ministers in less than two months and contributed to the enforced departure of Mr Bettino Craxi from the leadership of the Socialist party.

Mr Gabriele Cagliari, ENI's chairman, resigned on March 9 after being arrested on charges of alleged corruption and falsifying accounts. The heads of four leading ENI subsidiaries – Agip (oil and gas exploration), Snam (gas supplies), Saipem (drilling) and Nuovo Pignone (*turbines*) – *have also been arrested* on similar charges. All are now helping magistrates unravel a darker side of what has been the most dynamic group in Italy's unwieldy public sector.

In the midst of this storm, Mr Bernabè has remained calm. "Although very much alone, he knows what he wants and has had strong support from the government," observes one colleague. "Now that Cagliari's gone and the political parties are too discredited to interfere, he is much freer."

His position has been reinforced by the appointment on March 31 of a new five-man board, composed of technocrats and oil industry experts. But he has enemies from *within the political establishment* who oppose his plans to shake up ENI, concentrate on core businesses and carry out extensive privatisation. "Bernabè sees privatisation essentially as a means of reducing the capacity of the state to interfere in corporate management," observes a senior ENI executive. ENI is the second largest state group with annual sales of over L50,000bn (£20.8bn) and 130,000 employees worldwide.

Many politicians are reluctant to *lose this source of patronage. Last* June, "old guard" politicians from the Christian Democratic and Socialist parties tried to get Mr Bernabè sacked. The move backfired, and when ENI was converted into a joint stock company in August, Mr Cagliari, the representative of these politicians, was forced into a nominal chairman's role.

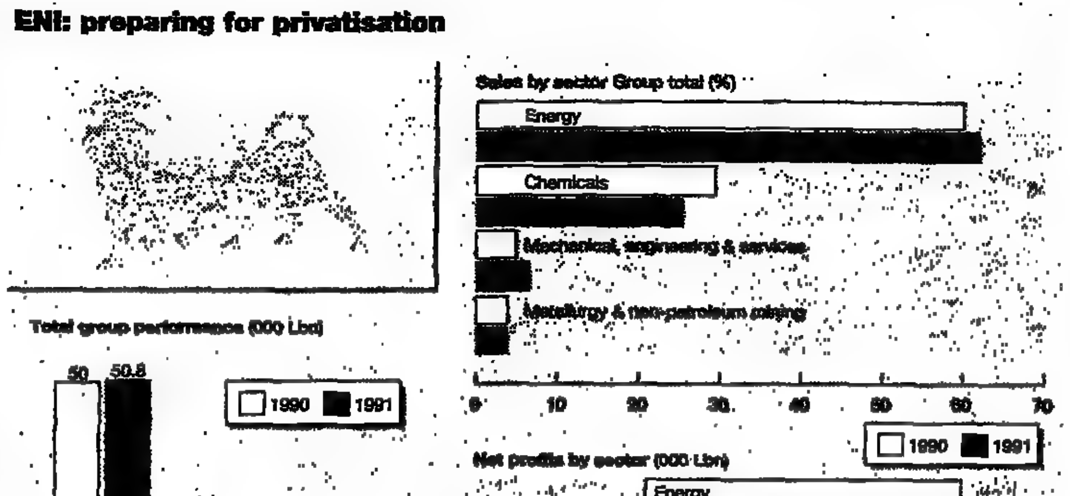
This marked the first stage in removing ENI from the direct political arena. Ever since the group was founded by Enrico Mattei in 1953 following significant gas discoveries in the Po Valley, it has played a high profile political role. The drive *to establish independent sources of* oil supplies gave Mattei powerful influence, particularly in foreign policy.

"I treat the political parties like taxis – I get on and off them when I feel like," is an often quoted Mattei dictum. A power unto himself, he took ENI in a number of diverse directions including newspaper ownership (ENI still owns the daily Il Giorno). But he also made ENI's logo of the fire-breathing dog with six legs the symbol of Italy's post-war development and prosperity.

After Mattei's death 1962, the politicians gradually reduced the group's independence. First it was the turn of the Christian Democrats, then the Socialists who in the late 1970s staked out ENI as their area of patronage.

Once Mr Craxi, the Socialist leader, became prime minister in 1983, he established a chain of officials to aid ENI operations. From Italian embassies abroad to pliant state-controlled banks, ENI received favoured treatment. In return, the party received political funds. The confessions of ENI executives and *consultants in the past two months* point to the group being one of the most important sources of illicit finance to Italy's political parties during the 1980s.

ENI: preparing for privatisation



The five main subsidiaries	Sales (000 Lbn) 1990	1991	Net Profit (000 Lbn) 1990	1991	Investment (000 Lbn) 1990	1991	Workforce 1990	1991
Agip Upstream Oil & Gas	13.736	10.967	1.581	1.442	1.900	3.672	9.357	9.628
Agip Petroli Downstream Oil	15.227	16.069	[illegible]	[illegible]	786	373	[illegible]	[illegible]
Snam	11.017	12.899	1.294	1.901	1.285	1.919	16.207	15.763
Enichem	[illegible]	[illegible]	[illegible]	[illegible]	2.088	1.971	[illegible]	[illegible]
Nuovo Pignone	1.196	1.550	27	36	46	50	6.744	5.693

Source: Company report

Among the many accusations now being levelled by Milan magistrates against Mr Craxi is that during the late 1980s he allegedly received or was party to organising illicit funds of about L12bn from ENI, L8bn from Snam L4bn from Agip, L3.5bn from Saipem and L4bn from Nuovo Pignone.

Milan magistrates are pursuing five main areas of investigation:

● the reorganisation of the petrochemicals and chemicals industry through Enimont, the joint venture set up in 1989 with Ferruzzi Montedison and bought by ENI in 1990;

● domestic contracts won by ENI subsidiaries, notably in the energy sector;

● kickbacks on foreign contracts won by Saipem and Snam. These include pipelines in Nigeria and Iraq, and gas supplies from Algeria and the Soviet Union;

● the fate of $7m paid in 1982 to the Socialists by disgraced banker Roberto Calvi in return for ENI lending money to Banco Ambrosiano, the private bank which collapsed in 1982 and had to be rescued by Italian financial institutions.

● funds generated by ENI offshore *subsidiaries through false consultancy* contracts, and through trading in oil contracts and currencies.

This is a big dossier with far-reaching implications. Take the Enimont affair. Magistrates are working on the assumption that ENI was pressed by its political masters in the Socialist and Christian Democrat-dominated coalition to buy out Ferruzzi Montedison's 40 per cent stake in Enimont for an inflated price of L2,805bn. But they have so far failed to prove there was any political pay-off from the transactions and Ferruzzi denies any wrongdoing. Nevertheless, the cost of this purchase and the subsequent losses of the fertilisers sector have been one of the main factors restraining ENI's profits.

The state's investigations are also revealing the extent of the group's overseas operations in directing funds to the political establishment. According to the investigators, revenues were diverted through subsidiaries in offshore tax havens or Switzerland, frequently using former ENI executives and their cronies. Foreign subsidiaries also passed on the profits of speculative trading in oil and currencies.

Investigations are revealing how the group's overseas operations directed funds to the political establishment

ENI executives have admitted that "commissions" were frequently paid for overseas contracts. This was also confirmed in a recent interview by Mr Franco Reviglio, who was forced to resign as Italy's *finance minister last month because* of his alleged role in permitting ENI funds to be diverted to political parties while chairman of the group between 1983 and 1989.

In an interview in La Repubblica, one of Italy's leading newspapers, he said: "Unfortunately this [granting of commissions] was something unavoidable if you wanted to deal with certain countries. . . . Our main concern was to ensure that these bribes did not find their way back to Italy to finance people, movements and institutions."

In Italy the paying of "commissions" to secure a contract abroad is not an offence provided the company's books are not falsified. This grey area of legality has enabled the parties to obtain illicit funds by taking a cut on an inflated foreign "commissions". All of the 11 ENI executives involved in the corruption scandals are charged with falsifying accounts.

So far the magistrates appear to have decided to avoid embarrassing foreign governments – and prejudicing Italian contracts overseas – by not releasing the names of foreign nationals. But already the Algerian government has asked the Italian government for information about large gas sales contracts with ENI in the 1980s for which it fears bribes may have been paid.

In the wake of Mr Cagliari's resignation, Mr Bernabè set up a special working committee to examine management methods in ENI's overseas operations. By the beginning of June it will present proposals for tightening controls over the overseas activities of subsidiaries, especially those with purely financial functions. Already, 30 overseas companies have been closed.

In addition to cleansing its organisation, the group faces a difficult challenge in restoring its credibility *and defining its future shape.* "ENI has become too big to keep track of with 309 subsidiaries overseas," says one executive.

Agip Petroli, the oil distribution arm, and the EniChem chemicals business have 60 companies based outside Italy; while another 30 are registered abroad by Agip. Bringing this far-flung empire to account is essential, says the company. The shake-up is already underway. Amsterdam-based ENI International Holding, which controls ENI International Bank, a financial institution registered in Nassau and operating out of Montecarlo, and which handles financial transactions exclusively for the group, has been one of the first targets. Last week, its 16-member board was removed and replaced by a 5-man team.

Mr Bernabè's efforts to reorganise the group will have a marked impact on ENI's financial performance. The results for 1992, as yet *unpublished, will reflect the heavy* cost of measures already taken to simplify the group's structure, purge loss-makers and sell off parts of the business. ENI officials concede that additional heavy provisions will be necessary.

About L500bn will be set aside in both the 1992 and 1993 accounts to cover redundancies at subsidiaries such as the group's heavily loss-making Sardinian lead and zinc mines. Job losses have already been felt in the higher echelons of the ENI organisation, with about 250 boardroom posts having been cut as a result of the closures so far. Heavy provisions will also be required to cover one-off write-downs in the value of fixed investments at some subsidiaries being closed or sold.

Together these provisions will depress earnings for the group, which made L1,051bn after tax in 1991. As a result, ENI is unlikely to meet the government's prediction in its "green book" on planned privatisations that pre-tax earnings for 1993 will be in line with those of the previous year. The need to set money aside to cover special provisions may even require some of the proceeds from privatisation to go to ENI, rather than directly to the Treasury, as envisaged by the government's privatisation plans.

Mr Bernabè has already managed to sell some of the group's *non-core* assets and hopes to raise further cash by floating other operations on the stock market. Last month, he announced the disposal of two parts of the Savio textile machinery division, raising about L160bn. The remaining units of the division may be sold by the end of this year. Plans to sell the profitable Agip Coal business, which has operations from Australia to South America, are well advanced. In all, 25 significant disposals are now under way.

Sales of group assets are open to foreign investors. So, too, will be the next stage of restructuring and *refinancing the group – the flotation* of its principal subsidiaries.

The process is expected to start with Agip, one of the most profitable parts of ENI. Details are not yet available, but analysts expect up to 20 per cent of the shares will be listed, raising about L2,000bn. If the Agip deal goes successfully, Snam may be next. "Taking the subsidiaries public is not just a way *of raising money, but will also show* bankers and potential investors we are serious about being judged by *the market," says a member of the* privatisation team.

The transactions will be the prelude to floating ENI itself. Listing the parent company will be much more complicated than taking the subsidiaries public. Merchant bankers have been working on the Agip and Snam flotations for over two years; it will take them at least as long to do valuations and prepare ENI's accounts for a share issue.

During this period ENI will continue its struggle towards a new identity. The cleansing process has begun and there is a sense of liberation within the group, a result of its increasing freedom from political control. But there is much dirty linen still to emerge, and the road *to privatisation will not be easy.*

OBSERVER

Mandarin syndrome

■ Whether it was the Chinese or the British who blinked first in the tortuous business of arranging talks about talks on the future of Hong Kong, the mandarins at the FCO made quite sure yesterday that Chris Patten could not claim too much of the credit.

The announcement coincided with a London news conference given by the governor of Hong Kong. But a telephone call to the FCO's well-staffed news department asking for the time and location of the event hit a brick wall.

Even though the event was taking place at the FCO a well-spoken young lady in the news department told callers that everyone was busy in an internal briefing. She could give no details of any encounter between Patten and the press. The media should call back later.

By the time *the department's* own meeting was over, so too was Patten's press conference. Perhaps, after all, the friends of Beijing still hold sway among the mandarins of King Charles Street.

Paws for thought

■ Remember Roland Rat, the cartoon character who came to the rescue of TV-am? So popular was the cuddly rodent that he managed to boost the British breakfast channel's flagging ratings single-handed. Well, it sounds as if Spain's Partido Popular has a similar sounding secret weapon waiting to attack the ills of the Spanish economy. Should the PP win the elections, one of the front-runners tipped for the finance minister's job is the party's spokesman on economic affairs – the well-connected Rodrigo Rato.

Adding it up

■ No doubt it has something to do with the time of year, but a lot of accountants seem to be advertising their services in the latest issue of Ariel, the BBC's staff magazine. Surely it can't be a spin-off of the unfortunate publicity given to the director-general's John Birt Productions?

Forgotten?

■ Jack Welch, the GE boss, doesn't like being reminded that the acquisition of the NBC TV network was hardly his company's most astute move. So his sudden appearance inside his TV fiefdom on Monday had a dramatic impact.

His avowed purpose was to introduce the new president of NBC News, Andrew Lack, poached from rival CBS. The appointment follows the embarrassing row over an NBC programme which involved a well known make of pick-up truck rigged to catch fire after it crashed.

The mighty Welch was in a forgiving mood as he addressed the staff of a network which has been stuck in third place and long rumoured to be up for sale. Everybody has lapses in judgment, said Welch, but that was now all in the past.

"The good news is that GE likes NBC. NBC is not for sale. GE wants to be part of NBC," said the great man, before joking: "I guess some of you might feel that's bad news, but I hope not."

'He always wanted to be buried in a no-fly zone'

Oceans apart

■ One of the world's odder bilateral relationships will get a thorough workout next month when Paul Keating, the Australian prime minister, pays his first visit to Jim Bolger, his New Zealand counterpart.

Booming trade suggests that the relationship is working well. But there are plenty of tensions behind the scenes, in spite of the two countries' common heritage as English-speaking former British colonies. Australians have never forgiven New Zealanders for refusing to join their fledgling federation in 1900, and many still don't understand why Kiwis don't want to have their affairs run from Canberra, 1,000 miles away across the Tasman Sea. Ministers who would not dream of insulting Papua New Guinea or Fiji often find it hard to be polite about their Kiwi cousins.

The problem was at its worst in the run-up to last month's Australian election, when Keating's *Labor government did its best* to paint conservative-run NZ as an economic basket case, ignoring growing signs of sustainable recovery. Senior Labor figures also lent their weight to dubious claims that Kiwi sheep shearers were cheating on their Australian income tax returns, and to largely unfounded criticism of the lifestyles of New Zealand immigrants.

Bolger, a taciturn North Island beef farmer, is not likely to upbraid Keating in public for his government's insensitivity. But he may feel free to point to another big difference – unlike the staunchly republican Keating, the vast majority of New Zealanders remain firmly attached to the monarchy. He might also have some diplomatic tips for the Australians. European Community diplomats say the Kiwis' subtle approach has won them much better trade concessions than those obtained by the more aggressive Aussies.

Made to measure

■ Would it not sound better if the Inland Revenue official dealing with capital allowances at Somerset House – N I C Perks – were to be transferred to the department of *social security to handle queries* about national insurance contributions?

Short-changed

■ Regular readers of this column will be aware that good jokes are *in short supply.* So Observer has no hesitation in recycling the following quip from yesterday's Daily Mail.

Pub customer: "I'd like half a pint of your best bitter in a pint glass, topped up with a dash of Dom Perignon, three shots of Jack *Daniels,* two shots of vodka and a couple of cherries."

Without raising a well-trained eyebrow the barman mixed the drink and watched the concoction go down in one. "I shouldn't have had that with what I've got," gasped the customer. "And what have got sir?" asked the alarmed barman. "Thirty seven pence," replied the bounder.

FINANCIAL TIMES
Wednesday April 14 1993

UN makes urgent appeal for food as Bosnia aid runs low

By Robert Mauthner in London and Laura Silber in Belgrade

PAGE 2
■ Morillon recall sparks row
PAGE 16
■ Foes with shared values

THE United Nations High Commissioner for Refugees, Mrs Sadako Ogata, yesterday appealed urgently to European Community countries for food aid for Bosnia, as officials warned the UN had practically run out of supplies to feed the country's stricken population.

"We have only enough for one day," Mr John Macmillan, *UNHCR spokesman in Sarajevo,* said. Other UNHCR officials in *Geneva said an average of only* three days' supplies were left in UN warehouses throughout former Yugoslavia.

Mr Douglas Hurd, UK foreign secretary, said in response to Mrs Ogata's appeal that Britain was pressing the European Commission to make available food already approved by member countries.

A UK official said his government was deeply concerned by the aid situation in Bosnia and was *"disappointed" other EC* countries had not matched a British £15m ($23m) emergency food aid contribution last month.

Mr Macmillan said the UN aid airlift to Sarajevo will resume tomorrow after a five-day suspension.

A UN relief convoy which reached the besieged east Bosnian town of Srebrenica yesterday evacuated 800 refugees, including 150 injured women and children. UN officials confirmed *56 people had been killed on Mon-*day by what they called an outrageous artillery attack on the town by the Serbs. Mr Macmillan claimed: "In their drive to acquire territory, the Serbs are willing to kill anybody to achieve their aims."

His remarks were aimed at, among others, the deputy commander of the Bosnian Serb *army, Gen Milan Gvero, who has* accused the Moslem defenders of Srebrenica of having improvised explosions to convince the UN that Serbs had shelled the town.

Mr Barry Frewer, spokesman for UN protection forces in former Yugoslavia, said the Unprofor commander, Gen Lars-Eric Wahlgren, had written to Mr Radovan Karadzic, the Bosnian Serb political leader, to express his revulsion at the attack.

Meanwhile the French government confirmed that it was recalling Gen Philippe Morillon, commander of the UN peacekeeping force in Bosnia.

Mr François Léotard, the defence minister, described the decision as routine and denied that the general was being punished for initiatives such as his recent mercy mission to Srebrenica.

Gen Morillon had sought to open the way to relief convoys and protect local Moslems from Serb attacks.

Reuter reports from Sarajevo: Masked Bosnian Croat militiamen with Nazi swastikas on their helmets seized four government food aid trucks at a checkpoint in central Bosnia. The trucks were returned after UN intervention. *UN officials said* yesterday.

Thatcher condemns the west over policy towards Bosnia

By Ralph Atkins in London

BARONESS Thatcher, the former UK prime minister, last night launched a scathing attack on UK government policy towards Bosnia, accusing western countries of acting like, "an accomplice to a massacre".

She also condemned Mr Douglas Hurd, UK foreign secretary, of using "terrible and disgraceful" phrases to justify not arming Bosnian Moslems. She was "ashamed" at the European Community's reluctance to intervene.

Her ferocious outburst provoked an angry reaction from ministers and looked set to fracture the fragile unity within the Conservative party over action against Bosnian Serb aggression.

Mr Malcolm Rifkind, UK defence secretary, accused her of "emotional nonsense" and said arms for Bosnian Moslems, "would be used to prolong the war". If the west armed one side, Russia might decide to help the Serbs, he said.

Most Tory MPs have so far been reluctant to see British troops further involved in the conflict – and Mr John Major, *prime minister, has won a con-*sensus within the party for a policy *based on providing humani-*tarian aid and urging a negotiated peace *settlement.*

But Baroness Thatcher's emotional calls last night for a far tougher stance could act as a rallying call for ruling Conservative MPs who have been horrified at recent atrocities – including Monday's killing of at least 56 people in a Serb artillery attack on the east Bosnian town of Srebrenica.

Tensions could erupt when Parliament returns today. The opposition Labour party is pressing for a statement on Bosnia.

Speaking on BBC television, Baroness Thatcher said: "We can't go on with this policy – namely feeding people but leaving them to be massacred." United Nations' resolutions *should be overturned, she said,* so the Bosnian Moslems could *arm themselves:* "Everyone has a right to self defence – that is far *older than the UN's charter."*

Mr Hurd, who was last night travelling to Japan, has previously said such a policy would lead to "level killing fields".

But Baronness Thatcher responded: "I thought it was a terrible and disgraceful phrase. There is a killing field now where the innocent haven't the requisite arms properly to defend themselves."

The bitter conflict, "is in Europe's sphere of influence, it should be within Europe's sphere of conscience," Baroness Thatcher said.

Sharp decline in retail sales casts doubt on US recovery

By George Graham in Washington

A PLUNGE in US retail sales last month has revived pessimism about the strength of the country's economic recovery and sharpened President Bill Clinton's arguments in favour of the $16bn spending stimulus he has so far been unable to push through Congress.

The Commerce Department said retail sales dropped by 1 per cent in March and revised its earlier *estimates of February sales* to a fall of 0.3 per cent, instead of *the 0.3 per cent rise it had origi-*nally announced.

The figures added to pressure on the dollar on the foreign exchange markets. In London, the US currency lost ground across the board, dropping to DM1.5790 from DM1.607 before the Easter break on Thursday.

Some of last month's fall in sales could be attributed to the effects of heavy snowstorms along much of the east coast, which depressed sales of building materials, clothing and petrol. But Mr Ron Brown, the commerce secretary, said the two consecutive months of decline provided "compelling evidence that recovery is at risk unless decisive action is taken when Congress returns next week".

All sectors except drugstores showed a decline in sales, with furniture stores down 2.3 per cent and department stores down 2.5 per cent.

March sales still stood 4.4 per cent *higher than a year ago at an* estimated $166.9bn, but economists *said recent surveys of con-*sumer confidence, such as the widely watched Conference Board indicator, have shown a much grimmer outlook for consumer spending after a brief surge in the wake of Mr Clinton's election last November.

The stimulus bill, which the Clinton administration claims will create 500,000 jobs, has been blocked in the Senate by a united Republican opposition, which has denied the administration the three fifths majority it needs to end debate and force a vote.

Mr Clinton has embarked on a campaign of harsh public criticism of the Republicans – on Monday, pointing to 25,000 children taking part in an Easter egg race on the White House lawn, he suggested that the young were suffering because of the delay. He further irritated Senator Robert Dole, the Republican leader, by accusing senators of romping in their private swimming pool on Capitol Hill while denying funds for pools in inner cities, which are *among the projects the bill* might pay for.

The *administration* has also launched a less abrasive drive to win support from groups who might apply pressure to the Republican senators, including Republican mayors, several of whom have backed the spending plan.

Currencies, Section II
World stocks, Section II

Hopes high for UK recovery

By Emma Tucker, Economics Staff, in London

HOPES OF a recovery in the UK economy gathered pace yesterday with the publication of a survey showing British companies predicting *flourishing sales* and new orders.

Dun & Bradstreet, the business information company, reports that six out of 10 businesses expect sales to increase in the second quarter of the year, against only two out of 10 expecting them to fall.

The findings are significantly more optimistic than in the previous quarter and will add to a growing impression that the economy *has reached a turning-*point.

The increase in business confidence was underlined yesterday by the sharpest rise in domestic air travel for a year, indicating greater confidence among UK companies which buy most of the tickets for internal flights.

The latest traffic figures from BAA, which operates London's airports and three in Scotland, show a 5.5 per cent increase in domestic passenger traffic in March *compared with the same* month a year ago. Heathrow airport showed the biggest gain in the south with a 8.3 per cent year-on-year rise in total passengers to 3.8m last month.

Traffic from BAA airports to the rest of Europe increased more quickly than domestic traf*fic, rising 9.6* per cent over March 1992. BAA's airports together handled 6.1m passengers in *March, a rise of 6.2 per cent on* last year.

On the *foreign exchanges,* meanwhile, the pound was stronger against the D-Mark, closing 1¼ pfennigs higher at DM2.4625. Share prices were also more buoyant. The FT-SE 100 index of leading shares rose 25 to 2,846.8.

House prices have perked up recently, while car registrations *for the first quarter of the year* rose sharply compared with the *same quarter a year ago.*

Dun & Bradstreet, which interviewed just under 2,000 managing directors between March 17 and 31, reported expectations about employment have improved. More companies nationwide plan to hire staff than to fire them.

Estate agents bullish, Page 9

European banks may agree on closer links

By Robert Peston, Banking Editor in London

NATIONAL Westminster, the *UK's second largest bank,* is in talks with Société Générale of *France and Commerzbank of* Germany about co-operating on providing improved services to small businesses and personal customers.

The bank said yesterday it was exploring two possible joint initiatives:

- Linking the payment systems of the three banks, so that all customers can make cheaper transfers of funds between France, Germany and the UK.
- Allowing the three banks' medium-size corporate customers to have access to the full range of services provided by the banks.

"*Talks are at a very prelimi-*nary stage," NatWest said. He *said no decision had been taken* on whether the banks' computer *systems for funds transfers* should be connected or if any linkage should be "less formal".

However, plans to combine the banks' services for medium-size companies are better developed. NatWest said the intention was that any medium-size corporate customer of the UK bank should be able to use the services of Commerzbank in Germany or Société Générale in France, if that customer is planning to do business in those countries.

Many businesses complain about the difficulty and expense of obtaining banking services on the continent.

To date, bank initiatives to take advantage of the single European Community market in financial services – which was created at the beginning of this year – *have been modest.*

The NatWest proposal con*forms with a general banking* trend. Banks have been reluctant to acquire branches in large numbers of European countries. Their preference has been to co-operate on specific projects with other European banks.

Last year, Royal Bank of Scotland launched an electronic system, IBOS, linking branches with Credit Commercial de France, Spain's Banco Santander and Banco de Comercio e Industria in Portugal.

Boston Five acquisition, Page 19
Bank sells Dorian stake, Page 20

France cuts interest rate

Continued from Page 1

major move will come after action from the Bundesbank."

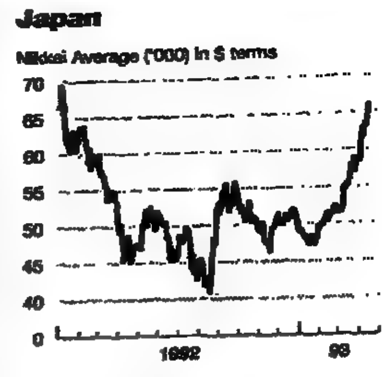
Yesterday's cut was welcome news for France's banks, which *have faced steep increases* in borrowing costs because of the gap between market rates and their own base rates. The French Banking Association has estimated the cost to the industry at up to FFr1bn ($183m) a day.

The banks are expected to try to recoup their losses before reducing base rates.

THE LEX COLUMN

Japan's jump start

FT-SE Index: 2848.0 (+26.2)



Source: Datastream

The Japanese government's latest cure *for its sick economy* certainly spurred the stock market. But then a £76bn package of measures could hardly pass unnoticed, however heavily it had been trailed in advance. What remains unclear is whether the government is administering the right medicine. Conditions must remain tough enough to make industry sweat through some painful restructuring, *while not being* so tight that companies collapse into *the black holes in their balance sheets.* The measures to extend government agency loans to small businesses and house buyers suffering in the banks' credit squeeze work usefully toward that end. But the Y8,500bn-worth of fiscal expansion may be feeding cream buns to a corporate sector which still badly needs to diet.

Nor is it entirely clear that consumers will now leap enthusiastically back into the shops, or that companies have the right capacity to respond to government *pump-priming. Japanese GNP* will expand by an additional 1.5-2 percentage *points this year.* That, however, is entirely courtesy of the government, and there will be an anxious wait for the reaction of the private sector. If companies use this excuse quietly to jettison plans for painful cuts, then the medium-term rebound in profits may be feeble, weakening the economic recovery.

Not that the equity market is overly concerned with such niceties. A combination of foreign buying, the prospect of huge government stock purchases, low interest rates and the return of small investors should keep the pot boiling. Ironically it may be the flow of foreign funds into Japan *which forces up the yen and keeps the* pressure on Japanese companies to restructure. That would validate the market's rally to heights which still inspire vertigo in those who judge by fundamental value.

UK economy

The devaluation effect on UK manufacturers' costs abated in March. Not only did input prices rise only 0.1 per cent on February's level; the main influences were a sharp rise in home-grown food manufacturing materials offset by a drop in the price of electricity to large industrial users. With the prices of imported materials falling and sterling on a recovery track, it looks as though *a line* can be drawn under the debate on the price effect of *devaluation. That still leaves the ques-*tions of how far the 10 per cent rise in input prices since September will be passed *on, and of how quickly recov-*ery will reignite inflation.

One risk is that domestic manufacturers will use recovery to catch up on the prices charged by foreign competitors. Another is that recovery will bring an end to discounting, pushing up retail prices as stores – rather than manufacturers – seek to claw back margins. The chances are, though, that such pressures will remain muted for the time being.

Recovery initially brings productivity gains as idle capacity is brought back on stream. At this stage the impact of higher demand is thus normally to dampen rather than kindle inflation. That *should continue to off-*set the higher input prices for some *time, especially since the UK is also* enjoying a sharp fall in unit labour costs. *The more* dangerous moment will come when pay settlements start to rise again. Despite the apparent increase in union militancy, there is little sign of that yet. Wage levels should be watched, just the same.

ICI

The 20 per cent target return on capital set by Mr Ronnie Hampel, heir to ICI's chemicals side, is less stringent than it sounds. A five year payback on new investment is close to being an industry standard. On a mixed bag of new and fully depreciated plant, return on capital is difficult to measure. Since ICI is shy about the distribution of capital across the group, the market *will hardly be in a* position to judge whether the target has been met. *Mr Hampel could pin* his colours firmly to the mast by setting a target *rate* of return on sales.

If the target is applied honestly, *though,* ICI will be in for radical reshaping. The chemicals side returned 3.7 per cent on net assets last year, based on operating profits of £146m before exceptionals and shareholders' funds of £4bn. That is some way from Mr Hampel's minimum rate of return of 10 per cent in the trough, even allowing for restructuring benefits to come. One answer may be for ICI to steer away from capital-intensive industries. *But that decision* is by no means clear cut. Tioxide has delivered an *average* return on net assets of 27 per cent over 20 years – a performance flattered by years of low investment, which depressed the asset base and reduced depreciation.

Shorn of cash-generative pharmaceuticals, cash flow may be a bigger constraint. Paying an uncovered, uncut dividend will cost ICI £200m this year. The latest round of restructuring carries a cash cost of £250m over three years, on top of residual costs from earlier slimming. Industries such as petrochemicals which feature big capital projects may seem too risky whatever the rate of return.

Queens Moat

What *does Queens Moat Houses* have in common with British Steel, *the best performing* stock in the FT-SE 100 during the first quarter of this year? Both have been bought by US investors attracted by a share price at *steep discount to stated net asset* value. Such a yardstick is popular in the US, where earnings trends are volatile. At its suspension price of 47½p Queens Moat looks cheap compared with last stated assets per share of 114p. Yesterday's British Steel closing price of 85p was less than half the company's net assets of 194p per share.

The Queens Moat discount has been overtaken by events, however, while there must be room for debate about the real worth of British Steel's assets *at a time of structural overcapacity in* the *European* industry. Perhaps price to net assets is a better yardstick in the US because balance sheet accounting there is more disciplined. More likely it is flawed because it takes no account of the quality of management or *its ability to generate profits* from the assets under control. Either way, the *measure looks an inadequate sub-*stitute for the price-earnings ratio *which has been devalued by the new* UK accounting standards.

World Weather

		°C	°F
Ajaccio	F	17	63
Algiers	F	21	70
Amsterdam	S	12	54
Athens	S	19	66
Bahrain	S	25	77
Bangkok	R	27	80
Barcelona	F	15	59
Beijing	S	19	66
Beirut	S	19	66
Belfast	C	10	50
Belgrade	F	17	63
Berlin	F	11	52
Bermuda	F	19	66
Bombay	S	30	86
Bordeaux	R	10	50

		°C	°F
Boulogne	F	13	55
Brussels	F	12	54
Budapest	C	11	52
Buenos Aires	F	26	79
Cairo	S	34	93
Cape Town	C	18	64
Caracas	C	28	82
Casablanca †	C	18	64
Chicago †	C	3	37
Cologne	T	12	54
Copenhagen	S	7	45
Corfu	S	20	68
Dallas †	F	19	66
Dublin	F	11	52
Dubrovnik	S	20	68
Edinburgh	C	7	45
Faro	C	15	59
Florence	C	13	55

		°C	°F
Frankfurt	R	12	54
Geneva	F	18	65
Gibraltar	S	15	59
Glasgow	R	8	46
Helsinki	S	5	41
Hong Kong	F	22	72
Innsbruck	F	12	54
Inverness	F	9	48
Islamabad	S	20	68
Istanbul	F	17	63
Jakarta	R	32	90
Johannesburg	S	15	59
Lisbon	F	12	54
London	C	9	48
Los Angeles †	S	13	55
Luxembourg	C	9	48
Madeira	F	18	64
Madrid	R	11	52

		°C	°F
Majorca	F	17	63
Malaga	F	18	64
Malta	S	21	70
Manila	C	34	93
Melbourne	F	22	72
Mexico City	C	25	78
Miami †	S	20	68
Milan	C	11	52
Montreal †	C	3	37
Moscow	Sn	1	34
Munich	C	8	46
Nairobi		–	–
Naples	F	18	64
Nassau	F	27	80
New Delhi	S	30	86
New York †	S	6	43
Nice	S	15	59
Nicosia	S	19	66

		°C	°F
Oporto	C	12	54
Oslo	F	7	45
Paris	F	9	48
Prague	F	8	46
Reykjavik	F	3	37
Rhodes	S	19	66
Rio de Janeiro	F	31	88
Rome	S	17	63
Salzburg	F	12	54
S'Francisco †	F	9	48
Seoul	S	13	55
Singapore	T	28	82
Stockholm	S	8	46
Strasbourg	F	9	48
Sydney	F	27	81
Taipei	F	24	75
Tangier	F	17	63
Tel Aviv	S	28	82

		°C	°F
Tenerife	Dr	17	63
Tokyo	C	11	52
Toronto †	S	1	34
Tunis	S	24	75
Valencia	C	18	64
Venice	R	15	59
Vienna	C	10	50
Warsaw	C	9	48
Washington †	F	7	45
Zurich	F	11	52

Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle
F-Fair Fg-Fog H-Hail
R-Rain S-Sunny
Sl-Sleet Sn-Snow
T-Thunder

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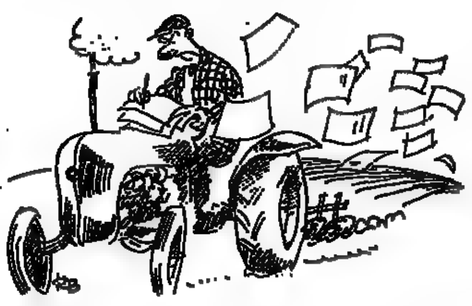
INSIDE

Telegraph's deal for Southam approved

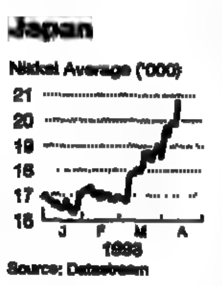
Shareholders at an EGM of newspaper group The Telegraph took just five minutes to approve a deal in which the group – 68 per cent owned by Mr Conrad Black's Hollinger – will buy half Hollinger's stake in Southam, the Canadian newspaper group, for £72.3m ($112.7m). Page 25

Farmers snowed under



UK farmers have been sent "Domes Day" forms, containing 19 columns of questions which farmers must answer giving every detail about every field under their control. If the forms are not completed correctly, then farmers who grow cereals and produce beef will not be eligible for certain payments. Page 28

Budget package lifts Japan



Source: Datastream

The Tokyo market saw active buying from dealers, arbitragers and public fund managers after the announcement of Japan's Y13,200bn supplementary budget to resusitate the economy. The Nikkei average closed 858.15 higher at 20,740.29. Traders had initially expected share prices to fall as the package was in line with expectations. However, hopes of a sustained bullish trend prevailed. Back Page

Explosions at mining group

A boardroom battle at Placer Dome, Canada's biggest gold mining group, has kept the Canadian financial community enthralled for months. The turmoil started in February last year when the group announced writedowns totalling C$328m (US$260m) after tax and resulted in the departure of a handful of long-serving directors. Page 21

Fading hope for PPI creditors

Creditors of Polly Peck International should say goodbye to any hope of cash remittances from Meyna, the company's Turkish fruit and packaging subsidiary. An "information memorandum" to prospective buyers reveals that the company is turning over barely a fifth of the sales reported in PPI's consolidated accounts in London, before the group went into administration in October 1990, owing banks and other creditors £1.13bn ($1.76bn). Page 26

VNU to sell print division

VNU, the largest publishing group in the Netherlands, is to sell its printing division to De Boer Boekhoven, a Dutch printing group, in a cash and paper deal that will leave it with a 30 per cent stake in the new printing company. Page 20

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Asko	630	+	15	AGF	628	+	18
Badenwerk	345	+	7	Cred Local	429	+	24
Colonia Konz	660	+	12	Geophysique	643	+	16
Leifheit	484	+	10	Paribas	424.8	+	8.8
Falls				UAP	583	+	20
Altana	540	–	5	**Falls**			
PWA	195	–	3	Euro RSCG	503	–	22
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
CBS	236¾	+	6¾	Hitachi Chem	1070	+	109
Dean Witter	38¼	+	1¼	NCR Japan	1190	+	130
Merrill Lynch	76¾	+	5¼	Rikei	729	+	100
Motorola	73¼	+	2¼	Toyo Elec	850	+	66
PaineWebber	27¾	+	1¾	**Falls**			
Falls				Goldwin	1220	–	70
IBM	50¼	–	¼	Suzuki Metal	481	–	14

New York prices at 12.30.

LONDON (Pence)							
Rises				Manchester Utd	251	+	14
Allied Leisure	49	+	5	Manvier Swain	625	+	50
BAA	793	+	10	**Falls**			
Bass	563	+	16	Anglian Water	538	–	8
Cable & Wire	747	+	17	Erith	37	–	5
Capitol	36	+	5	Euro Disney	1058	–	15
HSBC	623	+	13	Glaxo	553	–	19
HTV	46½	+	8½	Morgan Crucible	262	–	9
Higgs & Hill	73	+	8	Waste			
Honeysuckle	60	+	8	Management	514	–	35
Kewill Systems	161	+	23				
Lloyds Bank	545	+	11				

Merrill shares up on sharp profits rise

By Patrick Harverson in New York

SHARES in Merrill Lynch, the largest securities house in the US, rose sharply yesterday after the company reported record first quarter profits of $342m, up 57 per cent from a year earlier.

The results included a one-off pre-tax lease charge of $103m for offering vacated office space to other companies at the Merrill's World Financial Center headquarters in Manhattan.

Merrill's strong performance delighted investors, who bid up the company's stock $3¾ to $75¼ on the New York Stock Exchange.

There were new revenue records in Merrill's four main business lines – commissions, principal transactions, investment banking and asset management and custodial fees.

This was an indication that the Wall Street earnings juggernaut, powered for the past two years by low domestic interest rates and huge demand from individual investors and corporations for securities broking and underwriting services, is not slowing down.

Total revenues at Merrill reached a quarterly record of $3.96bn.

The biggest chunk came from principal transactions, the business of trading securities both for clients and for the company, which earned $755m.

Merrill said "heightened client activity" contributed to higher revenues from its trading of swaps and other derivatives, and corporate and municipal bonds.

Commission revenues rose 4 per cent to $714m, surpassing the previous record set in the first quarter of 1987. Investment banking revenues were also strong, up 23 per cent at $455m, as Merrill once again topped the debt and equity underwriting tables in US and global capital markets.

Fees from asset management and custodial services rose 7 per cent to $236m, buoyed by a 12 per cent increase in client assets under management to $145bn.

Higher levels of interest earning assets, and favourable interest rates spreads, meanwhile, lifted net interest and dividend profit 29 per cent to $256m. Credit upgrades from ratings agencies, which lowered Merrill's funding costs, also helped boost the bottom line.

On the costs side, non-interest expenses rose 10 per cent to $1,923m, excluding the one-off lease charge.

US executives face growing pressure on their pay-packets. **Karen Zagor** reports

The price of the boss's options

April is proving to be an ambiguous month for top-earning executives in the US. First, the Financial Accounting Standards Board (FASB) proposed hard-hitting measures which would make companies report the value of share options granted to employees and subtract them from profits. Then – only days later – the Clinton administration, which has been threatening strict new rules to limit the tax deductibility of seven-figure executive pay, softened its stance.

Discontent over the remuneration levels enjoyed by top US executives has been rumbling for years. It has, however, been exacerbated by recession. When companies are losing money and employees are losing jobs, the sight of executives netting millions has become distasteful to investors, workers and politicians alike. For example, in 1991, Chrysler's Mr Lee Iacocca earned nearly $3m when the car company lost $795m.

Share options – which are simply rights to buy a certain number of shares at a pre-determined "exercise" price – have been a favourite way for US companies to increase employee incentive without discernibly hurting profits.

Employees involved in such schemes have a reason to work for a higher share price; the company, meanwhile, is not obliged to pay out cash, merely to distribute shares. This will eventually dilute earnings per share, but usually by a modest amount.

The popularity of such arrangements was well-demonstrated in a recent survey of 500 start-up companies by VentureOne, a San Francisco-based research company. About 97 per cent of the companies questioned had some form of share option scheme.

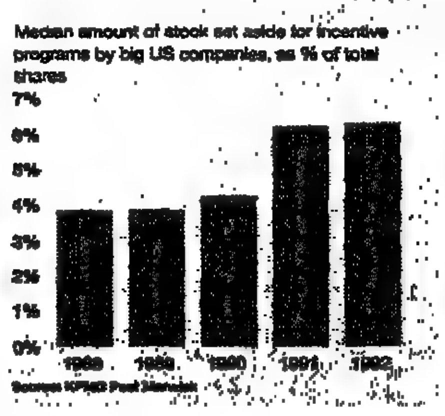
For top executives, however, these arrangements have become hugely lucrative. Last year, for example, Primerica's Mr Sanford Weill was granted new options on 3.65m shares, at an average exercise price of $27 a share. The subsequent sharp rise in Primerica's stock means that he is already showing a paper profit of more than $70m although all the options cannot be exercised at this stage.

Big gainers from stock options

Sanford Weill, Primerica: Exercised options on shares worth $68.3m in 1992

Anthony O'Reilly, H.J.Heinz: In year to April 1992 exercised options on shares worth $33.5m

Michael Eisner, Walt Disney: Cash gain of $120.4m from exercising stock options in 1992, plus $70m of paper gains



Source: KPMG Peat Marwick

Nor can share options always be justified as a long-term management incentive. In the pharmaceuticals sector, Merck's Mr Roy Vagelos was granted options on shares worth $25.6m at last year's exercise price. Mr Vagelos will retire at the end of 1994.

Because stock options do not involve a cash outlay, they are not listed among a company's expenses. However, when employees cash in their options at a profit, companies are allowed to deduct this surplus from their income for tax purposes.

What FASB is proposing is a three-year interim period, during which companies must come to grips with techniques for estimating "fair value" of employee options and prepare for the new accounting requirement. During this period grants of stock options would appear in the footnotes of financial statements.

From 1997 however, options will be recognised as expenses on the day they are granted and charged against profits – although the expense would be stretched over the vesting period for the options. Quite how the "fair value" of the options would be calculated is debatable. "It's not all that complicated for companies to do," said the board. "All we've stated is that companies should use an option-pricing model, like the Black-Scholes model. These models are used now by option traders and others, and take into account interest rates, stock price today and volatility to produce a value for the options."

Corporate America, which had hoped the board would limit its interference to more stringent disclosure standards without a charge against profits, has so far been muted in its criticism. But the board can expect a chorus of corporate disapproval during a six-month comment period which will follow publication in June of its formal exposure draft.

Ironically, the board's attempt to introduce flexibility for companies may trigger the loudest denunciation. It seems unlikely that the board will hold companies to any specific pricing model, and there have already been complaints about the confusion this will create.

There is also no consensus on the degree to which the plans – if implemented as outlined – would deplete reported profits. Estimates range from as little as 2 per cent to as much as 10 per cent. It is certain that that some companies will change the way they reward employees. Critics of the plan argue that it will hit smaller and newer companies hardest, and that middle management will suffer more than top management if companies cut back on stock options.

The VentureOne survey gives weight to some of these charges. While only 10 per cent of respondents said they would eliminate options altogether, 88 per cent they would reduce the number of employees receiving options. Furthermore, nearly half said options would be offered to key executives only. By contrast, some bigger companies, such as Merck and Pepsi, say they hope to retain their stock option programmes.

Just as US corporations were starting to grapple with the board's proposals, however, they were offered some consolation by the US Treasury.

Earlier this year the Clinton administration had suggested that companies should only be able to deduct salaries in excess of $1m when calculating taxable profits, if the pay was linked to the company's performance. However, more detailed proposals put forward by the Treasury suggest that performance-linked pay would include not only commissions or other earnings based directly on an executive's percentage of sales, but also any compensation package based on performance standards approved by the company's shareholders.

Moreover, the ban on deductibility would affect only the chief executive and the four other highest paid executives in a company. Compensation plans already in place before the measure was outlined on February 17 would also be exempt.

Some senior Wall Street executives welcomed the more relaxed stance on deductibility of large pay awards. One expressed his relief: "Wall Street firms do spend a lot of money on people, so broad notions of a cap on the deductibility of compensation above $1m would have used tax policy in a way that discouraged businesses which invest in human capital instead of plant and equipment. However, the present approach is much more in line with traditional tax policy . . . and the new proposals deal with the issue in a relatively rational way."

Additional reporting by Nikki Tait, Patrick Harverson and George Graham.

CGIP falls to FFr542m and plans disposals

By Alice Rawsthorn in Paris

CGIP, the French holding company which recently raised its stake in the CarnaudMetalBox packaging group, yesterday announced a fall in net profits to FFr542m ($100.3m) last year from FFr672m in 1991 and disclosed plans to sell peripheral interests to finance the CarnaudMetalBox deal.

Mr Ernest-Antoine Seillière, chairman, said the group hoped to raise just over FFr1bn, the money it had spent on its new CarnaudMetalBox shares.

He said the proposed disposals would include CGIP's remaining 2 per cent stake in the Valeo industrial group together with property in the Netherlands.

CGIP, which owns 25.3 per cent of CarnaudMetalBox, announced earlier this month that it was buying an additional 7 per cent holding, the maximum allowed by the French stock market authorities.

It bought the shares from MB-Caradon, the UK building products group which was selling its entire 25.3 per cent stake.

The other shares have been bought by a consortium of investors allied to CGIP.

CGIP funded the CarnaudMetalBox transaction with its FFr650m cash balance and FFr450m provided by Orange-Nassau, its Dutch subsidiary.

Mr Seillière said it was not essential that the group should recover the whole cost of the deal, but that it did hope to rebuild finances.

CarnaudMetalBox was one of the best performers within the CGIP group last year.

Mr Seillière said it made a healthy increase in its contribution to the group. Cedest, the cement company, was stable and Bio Participations, its medical business, suffered a slight fall in profits.

However CGIP was hit by a sharp reduction of FFr140m in the contribution from Sogeti, the French computer services company, which fell into the red last year, thereby triggering the overall fall in group net profits.

Mr Seillière said the outlook for 1993 was very uncertain. CGIP budgeted for a modest increase in profits this year but, he said, the first few months had been very difficult.

He said the group's chances of returning to profits growth would be determined by the prospects for the second half of the year.

Westinghouse Electric ends quarter with $64m after-tax

By Nikki Tait in New York

WESTINGHOUSE Electric, the US conglomerate which has encountered serious problems within its financial services division and seen a variety of management changes recently, yesterday posted $64m profits after tax in the first quarter.

The figure compares with a net loss of $246m in the same period of 1992, but this deficit largely reflected accounting-related charges.

Westinghouse said that first quarter profits and sales from continuing operations were flat year-on-year, at $64m ($65m) and $1.86bn ($1.85bn) respectively.

Westinghouse's attempts to sort out its financial services division's problems took a step forward last week, when it announced that it would sell most of the commercial property loans held by this unit to a newly-formed partnership, in which Lehman Brothers would be the general partner and Westinghouse would have a 49 per cent interest.

The partnership, in turn, will attempt to offload the properties as quickly as possible.

Yesterday, Westinghouse noted that its financial services unit had also sold other assets, for about $700m in cash, during the first quarter – proceeds which were in excess of the assets' reserved value.

Coupled with last week's announcement on the commercial property loans, Westinghouse's acting chief executive, Mr Gary Clark, said that this left the company's restructuring plan "ahead of schedule".

"We expect to remain ahead of plan throughout the year," he added.

However, Mr Clark added that any improvement in operating results would probably be concentrated in the second half of 1993.

During the first three months, "substantially" improved sales and profits figures from the power systems business and an advance on the broadcasting side, were offset by declines in the electronics systems division, which primarily makes military equipment, and in the industrial division.

Westinghouse shares, however, which rose modestly on news of the property transaction, gained another $⅜ at $15⅛ yesterday morning.

Royal Bank to buy Boston Five

By Paul Taylor in London

THE Royal Bank of Scotland's fast growing US banking subsidiary, Citizens Financial, is paying $95m in cash to acquire Boston Five Bancorp as part of its regional expansion strategy in New England.

The acquisition, which will be funded by Citizens without recourse to Royal Bank shareholders, represents a significant step towards the bank's goal of generating at least 10 per cent of its earnings from the US.

It also underlines the growing importance of the US banking operations run by Mr Larry Fish, Citizens' chief executive. Last year Citizens, which already has retail banking operations in Rhode Island and Massachusetts as well as a Georgia-based mortgage company, contributed £19.7m to the bank's profits.

Mr George Mathewson, Royal Bank's group chief executive, said yesterday: "This acquisition is a further important step in our long term strategy in the US. We intend that Citizens should double in size in the next three years while becoming the leading community bank in southern New England." When completed, the deal will make Citizens the sixth largest bank holding company in New England with $6.4bn of assets. At the end of January, Boston Five had total assets of $1.7bn.

Some 25 offices will be added to Citizens Bank of Massachusetts' 11 branches. Deposits will increase to $2.1bn.

The deal will double the size of Citizens' mortgage banking subsidiary's portfolio to $8bn and rank the Gulf States Mortgage company among the 60 largest in the country.

"Doubling the size of our mortgage servicing operation fits our goal of expanding our fee-generating business and our expansion into the Boston market fits with our strategic mission for growth," said Mr Fish yesterday.

In spite of the recession and a banking crisis in New England, Citizens has thrived in recent years and has helped restore some faith in British banks' US operations.

After enduring losses in the late 1980s, and debating how quickly they could sell, the mood among some British banks towards their US subsidiaries has changed considerably. As they struggle with bad debt at home, US operations have become an attractive source of income for some banks including the Royal Bank and National Westminster.

Bank of Scotland sale, Page 25

VNU sells print operations to focus on publishing

By Ronald van de Krol in Amsterdam

VNU, the largest publishing group in the Netherlands, is to sell its printing division to De Boer Boekhoven, a Dutch printing group, in a cash and paper deal that will leave it with a 30 per cent stake in the new printing company.

The transaction will create the largest printing group in the Netherlands, with annual turnover of Fl 1.2bn ($665m). It will enable VNU to concentrate on its core publishing activities, in line with a strategy pursued successfully by Elsevier and Wolters-Kluwer, the Netherlands' other two dominant publishing groups, since the early 1980s.

VNU is to receive Fl 100m in cash, shares worth Fl 19m and 1.88m five-year warrants in De Boer Boekhoven. It will provide the new printing group with a Fl 40m subordinated loan and a Fl 18m convertible bond. Last month, it took a Fl 80m charge on 1992, reflecting expectations that it would sell its printing division for less than book value.

Mr Joep Brentjens, VNU's chairman, said VNU intended to hold its stake at around 30 per cent, which means that it may sell shares that it gains through the conversion of loans or exercise of warrants.

De Boer Boekhoven is only one-third the size of the printing activities that it will be acquiring from VNU. The Fl 100m in cash is to be provided by a banking consortium led by ABN AMRO, which owns 42 per cent of De Boer Boekhoven.

When VNU announced in 1990 that it planned to sell all or part of its printing activities, expectations were high that the company would find a foreign buyer. However, talks with other potential buyers had been upset by the currency turmoil in Europe in the autumn, which changed the outlook for export orders.

The new printing company, which has yet to be given a name, will benefit from the receipt of long-term printing contracts from VNU, the largest publisher of consumer magazines in both the Netherlands and Belgium.

Other customers are publishers of radio and television guides, as well as international magazines such as Time, Newsweek and The Economist, which have part of their international circulations printed in the Netherlands.

Queens Moat calls in finance consultant

By Robert Peston, Banking Editor, in London

MR ANDREW COPPEL, the former finance director of jewellery group Ratners, has been appointed as a consultant to Queens Moat Houses to mastermind the financial reconstruction of the troubled hotels group.

Mr Coppel said it was "not appropriate" to join Queens Moat's board until its financial position became clearer.

Mr Coppel, who left Ratners in April 1990, before the group ran into financial difficulties, said one priority was to improve Queens Moat's management information systems.

Meanwhile, further details emerged of Queens Moat's financial condition. A preliminary estimate by Grant Thornton, the accountants shows that profits before interest and depreciation charges were £106m in 1992.

"That shows the group is viable", a banker said. The group's 64 bank creditors, which are owed £1bn, are hopeful that the eventual financial restructuring will not involve conversion of debt into equity, though it might require some deferment of interest and rescheduling of principal payments.

However, Grant Thornton believes Queens Moat made a pre-tax loss in the year of between £50m and £80m. The accountants have not fully quantified the effect on profits of Queens Moat's method of accounting for revenues derived from management incentive contracts. Under these contracts managers promised to earn specified revenues for the group during the forthcoming financial year but Queens Moat booked these revenues as profits for the previous financial year.

Last year, as the hotel industry went into recession, the managers delivered less profit than Queens Moat had booked.

Barclays, which is chairing a steering committee of the banks, has asked bank creditors to agree to a two-month standstill.

Lex, Page 18

Suchard invests in Turkish group

By John Murray Brown in Ankara

JACOBS SUCHARD, the Swiss confectionery group owned by Philip Morris, has purchased a 50 per cent share in one of Turkey's largest edible oils companies. The acquisition will allow the Swiss group to market its products in Turkey and the six Turkic-speaking republics of former Soviet central Asia.

The Swiss company paid an undisclosed sum for the stake in Marsa Margarine Sanayi, a subsidiary of Sabanci Holding, Turkey's second-largest industrial group. This is Jacobs Suchard's first move into Turkey, and underlines growing foreign interest in the Turkish foods sector.

Marsa made sales of $171m in 1992, and is market leader in edible oils, margarine and bottled spring water.

Jacobs Suchard by buying into an existing business, instead of green field investment, will obtain immediate market access, a distribution network, a list of local brands, and a base to introduce its own well-known brands such as Toblerone, Sucard and Milka. The company said it planned to invest in manufacturing in Turkey in 1994.

In parallel moves, Unilever bought out the local Komili vegetable oils group last year, in the first example of a foreign buyer paying goodwill for a Turkish brand. Corn Products, the US owner of the Knorr brand name, bought out its local partner.

Union International to slim down

By Roland Rudd in London

UNION International, the trading arm of the Vestey Group, is planning a series of new disposals as part of its strategy to develop into a smaller food processing and distribution group.

The company yesterday reported profit before tax and exceptional items of £30.8m ($46.8m) in the year ended December 31, compared with a loss of £20.5m in the previous year.

An exceptional credit of £1.6m contrasted with the previous year's exceptional loss of £81.8m, which mainly arose from losses on disposals.

Net debt fell by 38 per cent to £202m, from £327m, through sales and reorganisation.

Mr Terry Robinson, chief executive, said the group was planning its future after the completion of the refinancing at the end of next year. "We want to rebuild our fortunes by disposing of our non-core activities and expand our core businesses."

Union International, one of the UK's largest private companies, is to focus on its food processing and distribution business.

Mr Robinson said he expected net debt to be well below £100m by the end of the year.

Union is looking for an overseas investor to buy 30 per cent of Weddel New Zealand, with the remaining 20 per cent sold through a public flotation.

It plans to sell its international food processing and distribution businesses based in Brazil.

The group is close to finalising the sale of its Brazilian farming interests, which are expected to fetch around $45m.

Suez confirms first loss in 135 years

By Alice Rawsthorn in Paris

SUEZ, one of France's most prominent industrial and financial holding companies, yesterday confirmed that last year it made the first loss in its 135-year history with a FFr1.87bn ($346m) deficit against net profits of FFr3.84bn in 1991.

The group, which has a wide range of interests including the Indosuez bank and Victoire insurance group, has been the subject of takeover speculation since it disclosed its loss earlier this year.

Suez, like other French financial groups, has been badly affected by the impact of the economic slowdown, particularly on its property portfolio.

The Suez share price has also been hit by the controversy over a row with Union des Assurances de Paris, the French insurer which is one of its larger minority investors, over Suez's withdrawal from negotiations over the sale of Colonia, a Germany company controlled by Victoire.

Suez made an operating loss of FFr610m last year, compared with an operating profit of FFr5.07bn in 1991. It also suffered a sharp fall in exceptional profits to FFr1.64bn from FFr2.16bn over the same period.

The group earlier warned that its property losses and provisions for 1992 would amount to FFr4.2bn. In spite of the fall into the red it has held its dividend at FFr8.20.

● Galeries Lafayette, the French retailing group, plans to sell a 49 per cent stake in Cofinoga, its credit and charge card business, to the Cetelem group.

The news of the proposed disposal comes shortly after Galeries Lafayette warned of a poor performance in 1992 due to the cost of servicing the debt on its FFr2.9bn ($537m) bid for the Nouvelles Galeries retail chain and the need to make steep provisions on its flagship store on Fifth Avenue in New York.

Galeries Lafayette, which saw sales fall to FFr31.9bn last year from FFr33bn, has confirmed that it stayed in the black in 1992 but will only release specific profit figures when its full results are published later this month.

Cetelem has been involved with the Cofinoga operation since 1989, when it was set up. Galeries Lafayette said yesterday that it planned to retain control of Cofinoga in spite of the sale to Cetelem.

● Mr Jean-Rene Fourtou, chairman of state-controlled Rhône-Poulenc, repeated a forecast that the group's net earnings would rise in 1993, Reuter reports.

Mr Fourtou, whose company is seen as likely to head the list of privatisations expected from the new French government, said he hopes to generate $6bn to $8bn in sales from new products by the year 2000.

Crédit Lyonnais to lift BFH stake

By Kerin Hope in Athens

CREDIT Lyonnais, the French state-controlled banking group, is to increase its holding in Banque Franco-Hellenique de Commerce International et Maritime (BFH), an Athens-based bank, to 75 per cent by acquiring a 25 per cent stake.

The French bank has agreed to buy the 25 per cent of BFH from the state-owned National Investment Bank for Industrial Development (Eteva) for an undisclosed sum. Eteva will retain the remaining 25 per cent.

Under the terms of the agreement, BFH, with a net worth of about Dr7bn ($32m), will be expected to seek a listing on the Athens stock exchange within the next three years.

Crédit Lyonnais has managed BFH since it was set up 12 years ago when Greece joined the European Community. In addition to trade financing, BFH has built up a shipping portfolio and is expanding into private banking.

Eteva, an investment bank controlled by National Bank of Greece, the country's largest state-owned bank, has been trying to dispose of its holding in BHF for some time.

Eteva plans to move into commercial banking, building a network of branches around Greece, as its development role has been curtailed by the government's privatisation policy.

Morocco plans petrol station sale

THE Moroccan government is offering its 50 per cent stake in seven petrol station networks to domestic and foreign investors, Reuter reports from Rabat. It plans to sell off its stake in a total of 112 enterprises worth Dh35bn ($4bn) by 1995, including distributors of petroleum products.

The seven networks are Mobil Oil, Shell, Total, Dragon-Gaz, Société Pètroles du Maghreb (Petrom), Société Marocaine de Stockage (SOMAS), and the Compagnie Marocaine des Hydrocarbures (CMH). They are capitalised at Dh360m.

Petrom shares worth Dh122.4m and CMH shares worth about Dh100m are among those on offer. Société Nationale des Produits Pétroliers (SNPP), the state agency, holds 51 and 50 per cent in the two companies. Bids close on May 12.

"In 1992, domestic sales [of petroleum products] were between Dh12bn and Dh14bn, an increase of 12.6 per cent compared with 1991," the mines and energy ministry said.

The SNPP owns 50 per cent of the seven companies to be privatised and controls 75 per cent of the Moroccan petroleum distribution market. It was set up in the 1970s when the authorities launched a "Moroccanisation" programme to avoid multinational control of the distribution network.

"The government is preparing a large-scale return of multinationals to the strategic oil sector," the opposition daily Al Bayane said. However, officials deny foreigners will control the oil industry. Mr Moulay Zine Zahidi, privatisation minister, said yesterday: "The state is responsible for crude oil imports and the SNPP and other companies distribute refined products only."

Officials said the state-owned oil refineries at Mohammedia, near Casablanca, and at Sidi Kacem, north-east of Rabat, were strategic enterprises and not for sale.

When the oil distribution companies have been sold, the SNPP will return to its status before "Moroccanisation" and will also be privatised.

SNPP, whose oil stock at the end of last year was worth an estimated Dh2bn, will probably take over gas distribution when the trans-Maghreb pipeline taking Algerian natural gas across Morocco to Europe is completed in 1995, analysts said.

NEWS IN BRIEF

ROYALE VENDOME, a unit of Belgian holding company Groupe Bruxelles Lambert, and French insurer UAP have bought a further 2.38 per cent stake in Belgian insurer Groupe Royale Belge, a GBL spokesman said, Reuter reports from Brussels.

■ Securum, the first so-called bad bank set up by the Swedish state to take over non-performing assets of lossmaking commercial banks, reported a loss after financial items of SKr1.67bn ($220m) for 1992, agencies report.

The loss, in its first year of operation, included SKr961m in actual credit losses and provisions for a further SKr527m of expected losses.

■ Macintosh, the retail group, says it is negotiating to sell all its Spanish and Portuguese activities, Reuter reports from Maastricht.

An agreement on the sale would result in a book profit for Macintosh. But, given current interest rate levels, the effect on net profit after taxes of the sale would be about neutral, Macintosh said. The activities to be sold had 1992 sales of about Fl 260m ($145m), which is 23 per cent of Macintosh's total turnover in that year.

■ Barco, the Belgian electronics company, reporting 1992 net profit up sharply at BFr553m ($16.8m), said the outlook for this year remained satisfactory, Reuter reports from Brussels.

INTERNATIONAL COMPANIES AND FINANCE

US stores blame poor weather for flat sales

By Nikki Tait in New York

THE severe winter storm that swept across the eastern US last month was blamed for the generally disappointing March retail sales figures reported by the largest US store groups last week.

K mart, which takes in a leading chain of discount stores and specialty retail operations, reported a 1.3 per cent fall in same-store sales last month, for example.

Wal-Mart Stores, the nation's top-selling retailer, managed only a 3 per cent gain, far below the double-digit increases that investors have come to expect from the Arkansas-based company.

Sears, Roebuck, another big retail group based in Chicago, also posted a fall – in this case of 1.4 per cent.

Some of the traditional department stores fared slightly better, however.

May Department Stores managed a 5 per cent increase in same-store sales; Neiman Marcus posted a 3.8 per cent gain; and Federated Department Stores, which owns Bloomingdale's and Abraham & Straus, reported a 2.5 per cent advance.

But among the specialty retailers, there were some pronounced declines: The Gap, the San Francisco-based fashion chain whose "star" reputation has become somewhat tarnished lately, reported a 6 per cent fall in same-store sales, for example.

Retailers admitted that the weather might not have been the only influence, with waning consumer confidence also a factor.

"Uncertainty about the outlook for the economy and the prospect of higher taxes is translating into lower levels of consumer confidence and a modest reduction in consumer activity," said Mr Allen Questrom, chairman of Federated.

"If these trends continue, they can be expected to have some impact on retail performance for the remainder of the year," he added.

Dust settles after turmoil at Placer Dome

The mining group's new chief will focus on gold and copper, writes Kenneth Gooding

SCARS are only just beginning to heal at Placer Dome, Canada's biggest gold mining group, after a boardroom battle that kept the Canadian financial community enthralled for months.

It resulted in the departure of several long-serving directors – including Mr Tony Petrina, formerly the president and chief executive, and Mr Peter Crossgrove, a vice-chairman who for some time seemed likely to succeed him.

There is also an injection of new blood. After a worldwide search, Mr John Willson has been recruited from a smaller gold company, Pegasus, to be chief executive.

The turmoil at Placer started in February last year when the group announced write-downs totalling C$328m (US$260.7m) after tax – including the entire C$266m investment in the Mount Milligan copper-gold venture in British Columbia, acquired in 1990. This seems to have been a catalyst which brought simmering personal conflicts to the boil.

Analysts had warned of trouble ahead when Placer was formed in 1987 by a three-way merger between Placer Development, Dome Mines and Campbell Red Lake Mines.

The merger was welcomed as bringing together some of the best gold mining properties in North America and the South Pacific. Nevertheless, some wondered why Placer, a fast-growing, Vancouver-based group with mines in Australia and Papua New Guinea, would want to join with two rather conservatively-managed Toronto companies.

Placer, it seemed, believed it was a takeover target. Among those mentioned as potential aggressors was Mr Bob Needham, who once headed Placer's Australian operations and is today advising the government of Papua New Guinea on minerals policies. Mr Needham and New Zealand entrepreneur Mr Bruce Judge were thought to be stalking Placer.

The friendly Canadian merger went ahead, but London brokers in particular raised doubts about the wisdom of running three such different companies simultaneously from Toronto and Vancouver.

Nevertheless, the new Placer group seemed to be coping even though, as Mr Crossgrove said recently, "it remained an unsettled mix of two diverse corporate cultures".

Then came the Mount Milligan writedowns, coupled with the news that C$50m of the C$106m carrying value of Placer's investment in the Eskay Creek gold project in British Columbia, another interest acquired in 1990, would be written down.

Placer said a mine at Mount Milligan would produce a positive return but not enough to justify the C$500m to C$600m required to develop it.

At the Placer annual meeting, Mr Petrina told shareholders: "Let me be blunt. We should have taken more time to develop more information on which to make the decision [about Mount Milligan]. We relied too heavily on analysis that did not go far enough. It must not happen again."

The Placer board obviously felt the same way. Last May, Mr Crossgrove, 55, a board member and president of Itco Properties, was appointed to a new position of vice-chairman and sent from Toronto to Vancouver, where Mr Petrina had his base, to head the company's mergers and acquisition activities. Placer said he would "complement the strengths of the president, Tony Petrina".

John Willson: 'pragmatic, intelligent, internal debate'

Instead, according to insiders, it led to a row about executive responsibility because Mr Crossgrove was to report directly to the board, not to Mr Petrina. This led to the resignation of Mr Petrina, seen by the investment community as a skilled mine operator, who had been 32 years with Placer and its predecessor. He announced on June 14 that he would step down in September, but would stay on the board.

Mr Crossgrove stepped in as acting chief executive and quickly gained a reputation as the man most likely to repair the group's reputation. He seemed to be a front-runner to succeed Mr Petrina, or perhaps take over when the chairman, Mr Fraser Fell, 64, retired.

Mr Crossgrove was soon claiming there had been a change of culture at the company, a change that emphasised teamwork and shareholder value. He said he had redefined Placer's growth strategy and ended the private fiefdoms within the group that caused managers to work at cross-purposes. Growing in confidence, he criticised Mr Petrina's management style during a newspaper interview in a way that upset many other members of the Placer board.

"This left him at odds with so many people it was obvious it would be best for him to leave," one insider recalls.

So Placer turned to Mr Willson, a British-born, 52-year-old mining engineer, who in three years as president of Pegasus was credited with turning the low-cost gold producer into a stock market high-flyer.

He took over at Placer in January as chief executive of a group with interests in 17 gold mines in five countries, US$500m of cash in the bank, virtually no debt, and a market value of more than US$2bn.

Placer last year produced a record 2.3m troy ounces of gold and generated net profit of US$111m on revenues of $1.1bn. It reported that production costs had been cut by 17 per cent to $186 an ounce, making it one of the lowest-cost producers among the big gold groups. In spite of the increase in gold output, Placer's reserves rose from 16.8m to 18.4m ounces.

The group also has a new non-executive chairman based in Toronto: Mr Robert Franklin, 46, president of Signalta Capital Corporation and a director of Placer and, previously, Campbell Red Lake.

Analysts suggest the Placer board has been envious of the high market rating given by investors to its rival Canadian gold group, American Barrick Resources, and will want Mr Willson to ensure the share price is maximised.

This calls into question Placer's recent strategic move into base metals mining. How far should diversification go?

The most important step so far has been its purchase of half the Zaldivar copper deposit in Chile for $100m (Outokumpu, the state-owned Finnish group, owns the rest). Placer will spend about $400m over four years to develop the project, which is expected to have a life of 50 years. It is scheduled to produce about 200m lbs of copper annually at a cost of less than 50 cents a lb.

Mr Willson says Placer is engaged in a "pragmatic, intelligent, internal debate" to determine the group's approach to copper investment. "With gold prices drifting down we must be in a position to show good earnings from elsewhere. Copper and gold is fine. But spread the company's interests too widely and you are in danger of losing the high value the market puts on gold companies. If you want to be the best you must focus, concentrate, and devote most of your energies to your focus."

And what of the Mount Milligan project that proved such a catalyst for change at Placer? Mr Willson says: "The solution to Mount Milligan is higher copper and gold prices. It is getting low priority but we are still working on it."

HK group in $54m Chicago property deal

By Simon Davies in Hong Kong

HARBOUR Centre Development, the hotel investment arm of Hong Kong's Wharf (Holdings) group, has bought the City Place hotel and office tower in Chicago from the First National Bank of Chicago for US$54m ($HK419m).

The deal is Harbour Centre's third US hotel investment since December 1991. It has also acquired the Inn on the Park in Houston and the Marriott Hotel in Dallas for a total of $HK668m.

Mr Edward Cheng, Harbour Centre managing director, said: "It is our strategy to acquire key hotels in strategic cities in a depressed market with a view to longer-term asset appreciation."

The company is estimated to have more than HK$250m in net cash, following a rights issue last year, and will fund the acquisition from internal resources. Mr Cheng said the group was interested in further hotel purchases.

City Place is managed by Hyatt, but the purchase is conditional on the termination of this contract. The management will then be taken over by Wharf's own Omni hotel management chain.

The Wharf group has taken a gamble on the of the US hotel market since the 1988 purchase of the Omni chain from Aer Lingus for US$135m. The market has been depressed and Omni's US network of 40 hotels lost money last year.

Profits at Nalco surge to Rs1.2bn

NATIONAL Aluminium Company (Nalco), India's largest aluminium producer, yesterday reported net profits more than doubled to Rs1.2bn ($38m) in the 12 months to the end of March, from Rs580m the year before, Reuter reports from Bhubaneswar.

Turnover rose to Rs11.68bn from Rs9.74bn.

Top ratings help CBS turnround

By Karen Zagor in New York

CBS, which owns one of the three US television networks, yesterday posted a strong improvement in underlying first-quarter earnings, helped by a better business climate and the television network's ability to command higher advertising rates as it gains market share.

Net income in the first three months of 1993 was $54.2m, or $3.50, compared with a net loss of $64m, or $4.18, a year ago.

During the latest quarter, earnings benefited from a pre-tax gain of $19.2m on the sale of some marketable securities.

A year ago, CBS took a non-cash post-tax charge of $81.5m, or $5.32, for the adoption of new accounting standards.

The absence of the Olympic Games and the Super Bowl from CBS's winter programming resulted in a 19 per cent decline in sales in the quarter to $878.9m from $1.08bn. However, the sales gains from the 1992 special event sports broadcasts were largely offset by high rights fees and related production and promotion costs.

CBS television, which languished for many years as the third-rated US network, is starting to benefit from its relatively new-found place at the head of the ratings table.

Mr Laurence Tisch, chairman and chief executive, said: "CBS has just begun to capitalise both on its status as the nation's top-rated television network and on its efforts to carefully contain costs".

During the 1993 quarter, the television network benefited from improved unit pricing and operating income in prime time and daytime entertainment and news.

"The network's earnings also benefited from a shift in its programming mix, airing more entertainment and news programmes and fewer special-event sports programmes," said Mr Tisch.

Advertising in New York and Los Angeles was weak in the 1993 quarter because of sluggish regional economies.

On Wall Street, shares in CBS climbed $6⅞ to a 52-week high of $236⅞ before the close.

CBS recently agreed to remain headquartered in Manhattan after it was offered about $37.5m in city and state tax incentives and $12.2m in energy savings. In exchange, CBS has agreed to invest more than $300m in building improvements, equipment and new technologies for broadcasting and production.

Union Carbide sells fluids subsidiary

By Nikki Tait in New York

UNION Carbide, the large US chemicals group, announced yesterday that it was selling its OrganoSilicon subsidiary, which makes fluids and chemicals used in a wide range of industries, to a limited partnership run by Donaldson, Lufkin & Jenerette (DLJ).

The sale is valued at about $300m.

The consideration comprises $220m in cash, plus $80m of preferred stock – which is convertible into a 30 per cent voting interest in the silicones company.

Union Carbide, which will realise an unspecified after-tax gain on the deal, said that the transaction effectively concluded the asset sale programme which it announced in December 1991.

OSi had sales last year of around $350m, and has facilities in Belgium, Brazil, Italy, Korea and Switzerland, as well as in the US.

The company employs around 1,100 people.

DLJ, a New York investment banking operation, is part of the large Equitable insurance group, and the DLJ Merchant Banking Partners – which is making the acquisition – represents a $1bn acquisition fund.

Tenneco lifts earnings to $74m despite lower sales

By Laurie Morse in Chicago

TENNECO, the Texas-based diversified industrial company, saw earnings jump in the first quarter, although revenues from all but its natural gas operations were lower than a year ago.

The group reported income from continuing operations at $74m, or 46 cents per share, compared with $35m, or 22 cents, in the first quarter of 1992.

Revenues were $3.25bn, against last year's $3.21bn.

The company's Case farm and construction equipment division trimmed its quarterly operating loss to $17m, from last year's $77m. In spite of the operating improvement, Case's revenues fell 9 per cent to $914m.

Tenneco said that North American sales of farm and construction equipment improved in the first quarter, but were offset by continuing declines in Europe.

The company's natural gas pipeline operations saw revenues in the quarter rise to $818m from $514m a year ago, while income from gas operations rose $3m to $121m, from $118m last year.

Tenneco said the income gain was the result of higher pipeline volumes and the inclusion of results from EnTrade, a gas marketing company acquired in the fourth quarter of 1992.

During the first quarter, Case cut its worldwide production by 19 per cent from the same period last year as part of its effort to control inventories and balance production with demand.

The Newport News Shipbuilding division recorded income of $55m, up marginally from $53m last year, in spite of a decline in sales to $452m, from $584m last time.

Tenneco's Albright and Wilson chemicals business had flat results in the quarter, with operating income at $15m. Revenues in the division fell 7 per cent because of recessionary pressures from Europe.

Operating income at the company's Packaging Corporation of America fell to $37m from $49m, partly because the European recession weakened worldwide linerboard prices.

FASB ruling forces banks, insurers to revalue bonds

THE US Financial Accounting Standards Board, by five votes to two, approved a rule that would force banks and insurers to value more of their bonds at market value, AP-DJ reports.

The rule, after some fine-tuning, is scheduled to be issued in early June and will be effective starting with 1994 financial statements, FASB officials said.

Banks and insurers have long opposed marking significant portions of their bond portfolios because they say it would make their results more volatile and confusing.

● Sundstrand said that its tentative agreement to sell its commercial avionics business to Rockwell International for $225m had fallen through, AP-DJ reports.

Sundstrand said it had "terminated negotiations" with Rockwell after the two companies had been unable to reach a mutually acceptable definitive agreement. It said it would pursue its options, including the sale of the 1,300-employee unit to other interested parties. The division makes flight data recorders and cockpit devices. Sundstrand had earlier said it expected to use proceeds from the sale to repurchase up to 4m, or 11 per cent, of its outstanding common shares.

Coca-Cola chairman optimistic after strong term performance

By Nikki Tait

COCA-COLA, the Atlanta-based soft drinks group, yesterday unveiled a 21 per cent improvement in earnings per share during the first quarter of 1993, and an 18 per cent advance in profits, before accounting-related charges, to $454m after tax.

Earnings per share advanced to 35 cents, compared with 29 cents.

Sales in the three-month period were also up by around 10 per cent, at $3.05bn.

Mr Roberto Goizueta, chairman, suggested the first-quarter results "support our very bullish outlook for continued strong performance in the remainder of the year."

Coca-Cola shares – which, like others in the consumer products sector, have been hit by fears of brand erosion in response to the recent Philip Morris/Marlboro announcement of price cuts – rallied by $⅝ to $39⅝ before the close.

The company said worldwide gallon shipments of soft drinks, concentrates and syrups increased by 6 per cent in the first quarter. International concentrate shipments were up by 7 per cent, while US shipments rose by 3 per cent.

Meanwhile, unit case volume rose by 4 per cent, with international volume up by 5 per cent and US volume up by 3 per cent.

At the operating level, the volume increases, coupled with margin improvement, led to an 18 per cent advance in profits, to $677m.

The earnings-per-share advances also reflected a share repurchasing programme: Coca-Cola bought in 2.5m shares in the first quarter, and has bought in another 1m in the first eight days of the second quarter.

The company aims to acquire up to 100m shares between now and 2000.

NY Times group back in black with $10.9m for first quarter

By Karen Zagor

THE New York Times Company, which owns 31 regional newspapers and a 50 per cent stake in the International Herald Tribune, yesterday posted net income of $10.9m, or 14 cents a share, on revenues of $454.5m for the 1993 first quarter.

The company said a blizzard in March reduced pre-tax earnings by $3.7m, or 2 cents.

A year earlier, the company suffered a net loss of $20m, or 26 cents, on revenues of $435.9m. The results were distorted by a charge of $33.4m, or 43 cents, for accounting changes.

The 1992 figures also included a pre-tax gain of $3.1m from the sale of assets and an operating loss of of $1.7m from a Georgia paper which closed in September.

The New York Times newspaper saw advertising lineage decline 4.8 per cent in the first three months of 1993, reflecting continuing weakness in the region's economy. Advertising lineage for the 31 regional newspapers increased 6.2 per cent in the period, reflecting a rise in advertising inserts.

Operating income for the whole newspaper division fell to $28.6m from $32.7m.

Excluding the impact of the March snowstorm and a 1992 gain from the sale of real estate, the group's operating profits rose to $32.3m from $31.2m.

The magazines division recorded operating profits of $3.2m, compared with $1.7m a year ago. Broadcasting and information services posted operating earnings of $3.6m, against $2.8m last year.

Boise Cascade cuts losses to $12m as building products side improves

By Nikki Tait

BOISE Cascade, the Idaho-based paper, office and building products company, yesterday reported a reduced $12.1m loss in the first three months of 1993.

By comparison, in the first quarter of 1992, Boise suffered a loss of $43.3m before the cumulative effect of accounting-related changes.

Sales were slightly higher at $984m, compared with $953.9m in the same period of last year.

The company said the profits figure reflected continued weakness in the paper business, which was partially offset by a strong performance in the office and building products divisions.

In the paper division, Boise said losses were below those of the first quarter of 1992 but higher than the deficit recorded in the final quarter last year.

Prices of the company's mix of pulp and paper grades continued to decline on average in the latest three-month period, and reached the lowest level seen in the current industry cycle.

In the office products area, sales volume was flat year-on-year, but profitability improved due to reduced costs.

Profits from the building products division also climbed sharply due to an improvement in demand and a shrinking supply of harvestable timber in the Pacific north-west, which drove lumber and hardwood prices higher.

Boise shares were $¾ higher at $25⅞ before the close.

Allegheny says sales set to reach two-year high

ALLEGHENY Ludlum, the US metals group, said 1993 first-quarter sales were expected to reach their highest level in two-and-a-half years and earnings to be up around 50 per cent over last year, Reuter reports. Mr Robert Bozzone, president, said the strong performance flowed primarily from increased sales, improved productivity and continued tight control of costs.

In the 1992 first quarter, Allegheny Ludlum recorded $264.4m in sales and earnings of $11.3m, or 34 cents a share.

Alcoa of Australia ahead by 26%

By Kevin Brown in Sydney

ALCOA of Australia, the aluminium and gold producer, yesterday announced a 26 per cent increase in net profit to A$80.9m (US$57.4m) for the first quarter to the end of March, on turnover up 3.4 per cent to A$505m.

The group, which is jointly owned by Aluminum Company of America and Western Mining Corporation (WMC), the Australian resources group, said it had benefited from a weaker Australian dollar and new refinery capacity at Wagerup.

It said the next instalment of capacity at Wagerup, which will increase capacity by 200,000 tonnes a year to 1.7m tonnes per annum, would be speeded up to come on stream in 1994.

The group declared a fully-franked dividend of A$80m on March 31, representing a return of 19.3 cents a share. It paid fully-franked dividends of A$260m during 1992.

● People's Jewellers, the Canadian retail chain in bankruptcy protection, cut its loss by more than half to C$57.6m (US$45.8m), or C$4.72 a share, in the nine months to December 26, writes Robert Gibbens in Montreal. The chain operates 228 stores. Revenues dipped 9 per cent to C$145m.

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Unions in move to block Black's Fairfax ambition

By Kevin Brown in Sydney

AUSTRALIA'S media unions yesterday sought an urgent meeting with Mr John Dawkins, the federal treasurer (finance minister) in a bid to block Mr Conrad Black's attempt to increase his stake in the John Fairfax newspaper group.

The request is likely to reinvigorate opposition to Mr Black, the Canadian proprietor of the Telegraph newspaper group of the UK, who is seeking to increase his stake in Fairfax from 15 per cent to 25 per cent.

In an unusual move, the Media, Entertainment and Arts Alliance and the Printing and Kindred Industries Union sent a joint statement to Mr Dawkins urging him to withhold approval for Mr Black's request.

"We are writing to express our extreme concern that the federal government is likely to approve the application by interests associated with Conrad Black to increase their holding," the unions said.

"As representatives of people working in the newspaper industry, we do not believe that the national interest would be served by allowing the Black interests to increase their holding."

Government officials have signalled recently that Mr Dawkins was likely to approve Mr Black's application, which is required under foreign investment regulations on media investments.

Opposition from backbench government MPs has softened in recent weeks, partly because a number of prominent critics of Mr Black were promoted to ministerial positions in a government reshuffle.

Fairfax, which publishes the Sydney Morning Herald, the (Melbourne) Age and the Australian Financial Review, was sold to a consortium led by the Telegraph in 1991.

Mr Kerry Packer, the billionaire Australian publisher, revealed last week that he held a stake of more than 10 per cent in Fairfax, prompting speculation that he would launch a takeover bid shortly.

Under Australia's cross-media ownership laws, Mr Packer would have to reduce his 48 per cent stake in the Channel Nine television network to less than 15 per cent before acquiring more than 14.99 per cent of Fairfax.

Westpac sells large part of US loan portfolio

By Kevin Brown

WESTPAC Banking Corporation, the Australian bank, yesterday announced the sale of a large part of its US loan portfolio to Toronto-Dominion Bank of Canada in a further step towards its planned withdrawal from large-scale international operations.

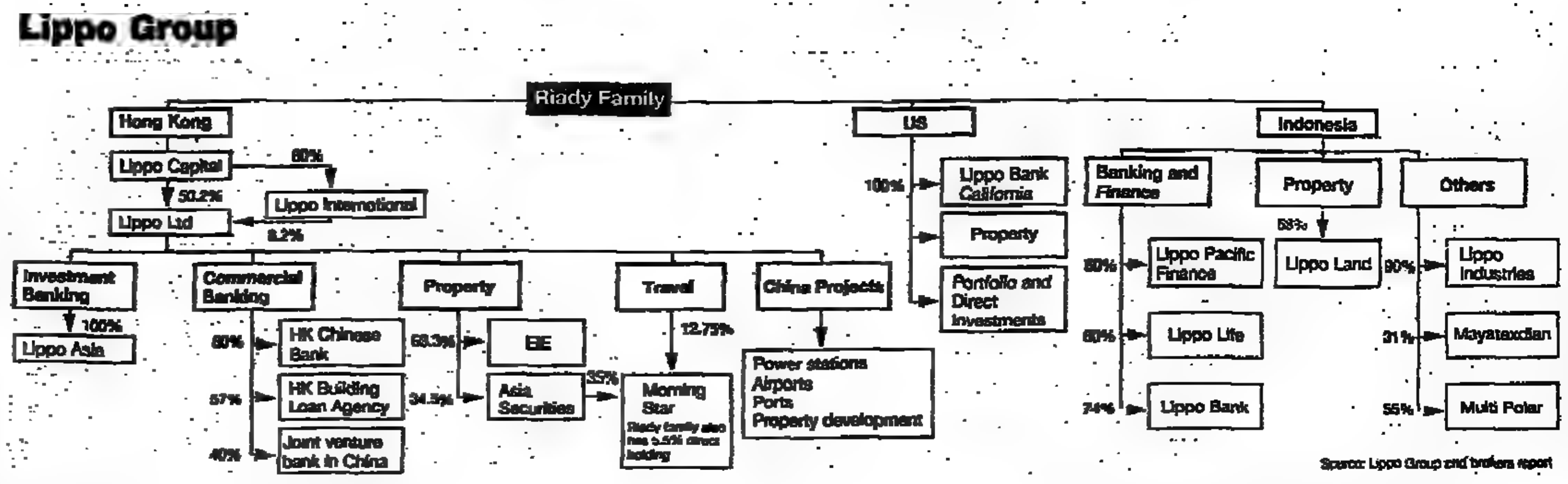
Westpac said Toronto-Dominion would assume up to US$5.5bn in credit commitments, representing approximately US$3bn of risk-adjusted loans to more than 100 US corporations.

The sale, which is at book value, follows Westpac's decision to reduce its corporate lending risk assets by A$10bn (US$7bn) over the next three years as part of a restructuring plan under which it will refocus on Australian business.

Mr Robert Joss, managing director, said the sale of the loans was "tangible evidence" that Westpac was achieving the goals set out in its recovery programme.

Mr Joss said the deal would enable Westpac's Americas division to focus on corporate customers doing business in Australia and New Zealand, where Westpac is the second-biggest trading bank. Westpac has already scaled back its North American operations.

Lippo Group



Source: Lippo Group and brokers report

Riady family returns to its ancestral lands

Growth is taking the Lippo group back to China, write Simon Holberton and William Keeling

ONE of the most striking phenomena of Asian business in the past decade has been the appearance on Hong Kong's corporate scene of expatriate Chinese businessmen from the rest of south-east Asia.

Hong Kong has become the staging point for these "overseas Chinese" who want to spread their asset bases wider than their adopted countries. This includes investment in China, land of their ancestors.

There is no better example of this than the Lippo group of Indonesia. Controlled by the Riady family through a series of private trusts, it spans banking in Indonesia; banking, travel and property development in Hong Kong; large-scale infrastructure and hotel development in China; and banking, property and diversified investment in the US.

In Indonesia, it controls seven listed companies, while in Hong Kong it controls six listed companies through its flagship Lippo Limited. The group has no holding company – a plan to consolidate group assets has been postponed indefinitely – but contains many private subsidiaries linked to its listed companies.

Lippo executives in Jakarta say the group is capitalised at US$2.5bn – split equally between Indonesia and the rest. Group banking assets total US$3.2bn, divided between Indonesia with 70 per cent and other countries with 30 per cent. Non-banking assets total US$1.5bn.

But the lack of a formal corporate structure concerns some brokers, who want to know more about the flows within the group. "I can't guarantee that, by buying into a traded Lippo company, I will share in the group's success," says one Jakarta-based analyst. "The family may be keeping the most lucrative investments in private hands."

As with many Chinese companies, Lippo is dominated by one family. In Indonesia, they are known by their surname Riady; in Hong Kong and Fujian, their home province in China, they are known as the Li family. Mr Mochtar Riady, the family's scion, is in overall control and concentrates on the family's considerable Indonesian investments. His sons – James, 36, and Stephen, 32 – run operations in the US and Hong Kong respectively.

Networking, a key characteristic of Chinese business practice, has rewarded the family. Mr Mochtar Riady, his wife and two sons, where invited by Mr Bill Clinton, US president, to attend his inauguration in January. The connection with the Clintons goes back to the early 1980s when the Riadys bought into Worthen Bank of Little Rock, Arkansas. They sold it in 1985.

Their Asian contacts are less high-profile but still powerful. In Hong Kong, the Riadys are allied to Mr Li Ka-Shing, one of the colony's richest men, and China Resources, a leading Beijing company there. Mr Li owns 10 per cent of Lippo Limited and China Resources 5 per cent.

The Singapore-Malaysian Hong Leong group is an important partner, as is C. Itoh, the big Japanese trading house. Both own stakes in Lippo International, a private investment company, which also owns 8.2 per cent of Lippo Limited. Lippo International's best deal to date was the purchase in 1990 of Lippo Sun Plaza in Kowloon for HK$900m (US$116m) and its sale, a year later, for HK$2bn.

The family's connections in Indonesia are also impressive. Mr Mochtar Riady is a former executive of Bank Central Asia (BCA), Indonesia's largest private bank and a subsidiary of the Salim Group led by Mr Liem Sioe Liong, reputedly the country's richest man. Bankers say Mr Riady was largely responsible for the growth of BCA in the 1970s and the early 1980s; Mr Liong was involved in the initial financing of some Lippo group activities.

In Indonesia and Hong Kong, Lippo has grown rapidly. When Lippo Bank in Indonesia was listed in 1988, it had 28 branches. Today it has about 200. Total assets rose to Rp3,818bn ($1,84bn) last year, from Rp2.684nn in 1990. But the rate of growth has made some analysts wary. They estimate branch managers' average experience at only four years and say the bank may be poorly positioned to cope with sector-wide problems of non-performing loans.

The group is also a large property developer in Indonesia. It is lead-financing two large property developments in Jakarta – Lippo City and Lippo Village – with a planned investment of US$1.5bn over the next five years.

In Hong Kong, the first big acquisition for the family was the purchase in November 1984 of Hong Kong Chinese Bank (HKCB) from Overseas Trust Bank for HK$337m. Worthen Bank was the vehicle for the transaction, with the Riadys, Mr Jack Stephens, a wealthy US financier, and Mr Liong putting up the cash.

From that beginning, the family's assets in Hong Kong have grown to exceed US$1bn. HKCB was refloated on the colony's stock exchange last year, raising more than HK$700m for the Riadys; the family controls the bank through a 60 per cent stake held by Lippo Limited. Lippo also controls EIE and Asia Securities, both property investment companies, Morning Star, a travel agency, Hong Kong Building and Loan Agency, a company providing home finance, and Lippo Asia, a merchant bank.

Despite the property and travel assets, the quality of which is variable, the group's focus is banking-related services, with a strong orientation towards China. Mr Stephen Riady, the family member who heads Lippo in Hong Kong, goes as far as to describe the group as a provider of merchant banking services.

This is especially the case with Lippo's development plans in Fujian province, on China's south coast. Mr Mochtar Riady's grandfather immigrated to Indonesia from Putian, a Fujian town.

Lippo in Hong Kong is planning developments in Fujian, including a 2,400MW power station, hotels, commercial property, and port and airport construction. In most, it will act as arranger of finance and technical expertise, while taking between a 10 per cent to 20 per cent interest in the assets.

"The power station is a project we like very much," says Mr Stephen Riady. "Infrastructure is a good business to be in. There are not many people involved, so competition is limited, and the buyer is the government, not the public. Fujian Electric guarantees us a minimum take-up and guarantees us a minimum yield. We will take 20 to 30 per cent of the power station."

The port, at Meizhou Bay – one of five coastal ports the Chinese government has selected for development – will be upgraded to take a coal loader for the power station. If direct links with Taiwan come, as many expect, Lippo plans to upgrade it for containerisation.

The group also has monopoly rights to develop Meizhou island, which houses a deity of significance to fishermen and Fujianese. Visitors from Taiwan to the island's shrine totalled about 500,000 last year.

Lippo plans three hotels, a golf course, and residential and commercial developments on the island. Says Mr Riady: "We do the master plan and find investors, that's our strength."

Toyota plans office efficiency programme

By Michiyo Nakamoto in Tokyo

TOYOTA Motor, Japan's largest vehicle manufacturer, is seeking to raise the efficiency of its office staff by 30 per cent. The company is to set up a committee to consider how to restructure operations to do so.

Toyota expects to achieve efficiency improvements of 10 per cent by reducing working hours and by a further 20 per cent by devoting office workers' time to new businesses.

The move comes as the Japan Automobile Manufacturers' Association (JAMA) is considering applying to the ministry of labour to be designated an industry eligible for employment subsidies. The funds would be used to transfer employees to subsidiaries and re-train employees for new jobs.

One condition for eligibility is that production should fall in three consecutive months by 5 per cent year-on-year. In December, motor industry production was down by 9.7 per cent, in January by 13.5 per cent and in February by 10.2 per cent. However, new car sales in Japan rose in March for the first time in 14 months. But sales cannot be directly linked to production, JAMA said.

● Fujisawa Pharmaceutical, a leading Japanese drug company, has lowered its forecast net profits for the year to the end of March due to heavy losses at its US subsidiary, writes Emiko Terazono in Tokyo.

The company said non-consolidated after-tax profits for the 12 months would plunge 78.3 per cent to Y1.3bn ($11m), instead of the initial forecast of Y6.5bn announced in November.

Fujisawa expects an extraordinary loss of Y6.5bn, due to appraisal losses on its stake in Fujisawa USA, which suffered net losses of $72m in the year to December 1992.

But, owing to brisk domestic sales, the company upgraded non-consolidated sales and pre-tax earnings projections.

Long-end Treasuries extend gains after bullish data

By Patrick Harverson in New York and Sara Webb in London

THE US Treasury market yesterday put in another strong performance, with longer-dated prices earning fresh gains in the wake of recent bullish inflation data and news of unexpectedly weak retail sales.

By midday, the benchmark 30-year government bond was up ½ at 104$\frac{11}{16}$, yielding 6.754 per cent. At the short end of the market, the two-year note was also firmer, up $\frac{1}{32}$ at 100$\frac{3}{16}$, to yield 3.758 per cent.

Prices gained ground in early trading after the Commerce Department announced that retail sales dropped 1.0 per cent in March, and declined 1.2 per cent if car sales were excluded.

GOVERNMENT BONDS

The market had been expecting March sales to be flat, and the data was initially viewed as evidence that economic activity may be slowing down. Analysts pointed out, however, that the severe storms in March may have been behind the drop in sales.

Otherwise, prices were supported by a sustained mood of optimism about inflation, which followed last week's news of weak consumer and producer prices. Also, traders continued to speculate about a possible "coupon pass" – in which the Treasury buys coupon securities outright – some time this week.

■ HOPES of lower interest rates lifted the main European government bond markets yesterday, with the recent strong performance of the US Treasury bond market providing an additional boost.

The Bank of France lowered one of its key interest rates yesterday morning, and dealers said many participants in the bond markets expect to see a further easing by the Bundesbank at this week's repo.

French government bonds closed higher on hopes that money market rates would continue to decline in the near future, following the decision by the Bank of France to cut its ceiling rate – the five to 10-day rate – from 12 per cent to 10 per cent. The central bank held its intervention rate at 9.10 per cent.

The cut in the ceiling rate had been widely expected, but the French bond market took further encouragement from Mr Edmond Alphandery, the economy minister, who said he expected French interest rates to continue to fall over the next few days.

FT FIXED INTEREST INDICES

	April 13	April 8	April 7	April 6	April 5	Year ago	High *	Low *
Govt Secs (UK)	97.80	97.20	97.20	96.92	96.84	88.19	98.04	93.28
Fixed Interest	113.02	112.95	112.88	112.78	112.63	101.75	113.63	106.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	April 8	April 7	April 6	April 5	April 2
Gilt Edged Bargains	86.9	98.6	102.5	93.5	102.6
5-Day average	96.8	104.5	113.1	117.5	122.3

* SE activity indices rebased 1974

The June futures contract ended up 0.32 at 118.22 after a high of 118.36, while the yield on the 10-year benchmark bond ended at 7.09 per cent against 7.14 per cent.

■ GERMAN government bond prices gained about a quarter of a point on hopes that the Bundesbank would lower its repo rate from last week's 8.13 per cent to perhaps between 8.05 to 8.10 per cent at this week's repo.

Dealers pointed out that the move by the Bank of France – coupled with the pressure on the Spanish currency – could encourage the Bundesbank to lower German interest rates.

The Liffe bund futures contract opened at 96.40 and hit a high of 96.57 before trading at 96.48 by late afternoon.

■ SPANISH government bond prices, which had fallen back very sharply on Monday in the domestic market on political uncertainty, regained some of their losses yesterday but still ended the session down from their pre-Easter levels.

Monday's sharp fall was triggered by the prime minister's decision to call an early general election – on June 6 – leading to worries that the peseta may come under pressure and then be devalued.

"The early election heightens the uncertainty and the devaluation risk has been increased," said Mr Steve Major, bond analyst at Crédit Lyonnais.

Yesterday, the peseta came under pressure in the foreign exchange markets, and dealers said they suspected the Bank of Spain had intervened in order to support the Spanish currency. Traders noted that there had been heavy selling on Monday by domestic investors, many of whom appeared to expect a wave of foreign selling. However, dealers pointed out that selling by foreigners was not "particularly heavy" yesterday.

■ A STRONGER lira and the firm tone in the European government bond markets gave Italian government bond prices a boost yesterday.

On Liffe, the June BTP contact rose 80 basis points to 95.38. The lira rose to around 964 against the D-Mark from 978 on Friday.

■ UK government bond prices gained between ⅛ and ⅜ a point, taking their cue from the recent firmness of the US bond market, sterling strength, and hopes of lower interest rates across Europe.

■ JAPANESE government bonds fell back yesterday, responding to the strong stock market rally.

The bond market opened on a firm note helped by the strength of the yen, which moved to Y112.70 to the dollar before falling back. Bond prices remained relatively stable during the day but fell back towards the end of trading.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	117.4551	+1.098	7.41	7.77	7.74
BELGIUM		9.000	03/03	111.3500	+2.175	7.35	7.48	7.25
CANADA *		7.250	06/03	99.0000	+1.050	7.39	7.62	7.63
DENMARK		8.000	05/03	101.1500	+0.500	7.83	7.97	8.16
FRANCE	BTAN	8.000	05/98	104.8788	+0.422	6.82	6.94	7.07
	OAT	8.500	04/03	109.7700	+0.220	7.10	7.20	7.32
GERMANY		7.125	12/02	103.9850	-0.390	6.55	6.64	6.53
ITALY		11.500	03/03	93.0100	-3.725	13.17†	13.39	12.80
JAPAN	No 119	4.800	06/99	102.6448	-0.196	4.26	4.18	3.93
	No 145	5.500	03/02	108.1662	+0.619	4.24	4.15	3.99
NETHERLANDS		7.000	02/03	103.4500	+0.520	6.51	6.68	6.45
SPAIN		10.300	06/02	92.0567	-0.248	11.74	11.69	11.31
UK GILTS		7.250	03/98	102-13	-3/32	6.67	6.78	6.48
		8.000	06/03	102-21	+13/32	7.62	7.71	7.55
		9.000	10/08	108-08	+16/32	8.06	8.19	8.10
US TREASURY *		6.250	02/03	101-07	+10/32	5.08	6.17	6.21
		7.125	02/23	104-19	-20/32	6.78	7.02	6.88
ECU (French Govt)		8.000	04/03	103.3000	-0.110	7.52	7.62	7.47

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Bankers warn over Brazil 'Brady bonds'

By Richard Waters

BRAZIL'S bank creditors will have to change their choice of so-called "Brady bonds" to be issued by the country if they are to reach final agreement on a debt reduction deal, bankers claimed yesterday.

It emerged earlier this week that bank creditors have asked for 60 per cent of their loans to be converted into fixed-rate "par bonds", with only 18 per cent in the form of floating-rate "discount bonds".

Brazil has indicated that it wants each class of bond to comprise around 40 per cent of the final deal, with other types of debt making up the rest.

The banks' preference for par bonds puts Brazil in the same position as Argentina last year, which also had to persuade banks to accept fewer fixed-rate bonds than they had requested. After tense negotiations, the Argentine Brady-style debt reduction deal was finally completed on April 7.

The preference for par bonds has been prompted by the continuing rise in the US Treasuries market. The 30-year bonds, which are repaid over an extended period, carry a fixed coupon of 4 per cent in the first year, rising to 6 per cent after the sixth year, with the principal fully collateralised by US zero-coupon bonds.

Discount bonds, by comparison, pay a floating rate, and carry a 35 per cent reduction from face value. The discount, and the better collateral on the par bonds, explains the banks' choice so far, according to one banker in London.

Analysts of the secondary market for lesser developed country debt said that banks would have to accept a higher proportion of discount bond for the deal to go ahead. Mr Arthur Ryan, president of Chase Manhattan, said: "We and the banking committee have submitted what we would like to do, but an agreement has to be based on what is possible to do."

Bank of England sets date for Ecu500m notes tender

THE Bank of England has set its Ecu500m tender of three-year notes for April 20, providing some vital liquidity to a market which has been starved of paper in recent months, writes Tracy Corrigan.

It is the second T-note tender by the Bank of England, following its Ecu1.2bn tender in February, since the collapse of the Ecu market forced the T-note programme to be put on hold last autumn.

But prospects for further supply in the Ecu market remain rather grim. Only the UK and France among European sovereign borrowers are showing substantial commitment to the market through regular programmes.

But France has already raised 45 per cent of this year's Ecu financing (which accounts for 15 per cent of its total funding), and the only other European sovereign borrower to tap the market so far this year was Finland, with an opportunistic Ecu500m deal in February. Otherwise, the market has had to rely on agency funding.

Sterling sector braced as Japanese units set to raise £600m

By Tracy Corrigan

THE STERLING market braced itself yesterday for a further spate of activity, amid expectations that two Japanese power companies are preparing to raise about £600m in sterling Eurobonds today.

INTERNATIONAL BONDS

Swap spreads in the sterling market have widened further in recent days, creating fresh arbitrage opportunities for borrowers.

Tokyo Electric Power Company (Tepco), the largest of the Japanese power companies, has mandated Credit Suisse First Boston to arrange a £300m five-year issue, which CSFB plans to launch today. The proceeds are expected to be swapped into yen via floating-rate sterling.

With five-year swap spreads at about 50 basis points above Libor, the borrower is expected to achieve a funding level of around 15 basis points below the London interbank offered rate (Libor), assuming a launch spread of about 35 basis points over the five-year gilt yield.

Kansai Electric Power is also believed to be preparing a £300 five-year deal via S.G. Warburg, but the timing of this deal is more uncertain. Officials at S.G. Warburg declined to comment.

After record volume in the first quarter, the sterling sector is suffering from some overhang of paper, despite strong demand. In particular, there has been a surplus of five-year paper.

However, further issues are expected to be concentrated at this area of the yield curve, because swap opportunities are most attractive over a five-year term.

Seven-year swap spreads are around 35 basis points and 10-year swap spreads are currently about 25 basis points, compared with five-year swap spreads of 50 basis points.

Yesterday, Deutsche Bank Finance added a further £100m tranche to its outstanding £200m issue launched in February. The bonds were priced to yield 37 basis points over the five-year gilt yield, a pick up over the current spread of 32 basis points for the outstanding paper.

In the French franc market, Alcatel added a further FF1bn to its FF2bn five-year deal launched earlier this month via Société Générale. Firm demand was encouraged by expectations of further cuts in French interest rates.

In the Canadian dollar market, Toyota Credit Canada and the City of Winnipeg both tapped the market, with deals aimed at continental retail investors.

The City of Winnipeg launched a C$125m 10-year issue of 8½ per cent bonds via Wood Gundy. The deal was priced to yield 93 basis points over the comparable Canadian government bond.

Toyota's C$150m issue of five-year bonds, via Hambros Bank, was priced to yield 48 basis points over the curve.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
BBA Creditanstalt	50	9.5	99.4588	Oct.1995	1/-	ING Bank
Co.de Telefonos de Chile(a)§‡	35.925	4.5	100	Jan.2003	2.5/1.5	Goldman Sachs Intl.
YEN						
Nissan Motor Co.	10bn	4.65	101.625	Aug.1998	1.875/1.25	IBJ International
FRENCH FRANCS						
Alcatel Alsthom(b)	1bn	7.25	100.37	May.1998	1.625/0.75	Société Générale
STERLING						
Deutsche Bank Fin.Curaçao(c)	100	7.25	102.125	Dec.1998	1.875/1.625	Deutsche Bank London
CANADIAN DOLLARS						
Toyota Credit Canada	150	7.125	100.66	Jun.1998	1.875/1.375	Hambros Bank
City of Winnipeg	125	8.5	101.375	May.2003	2/1.625	Wood Gundy
ITALIAN LIRA						
Bayerische Landesanstalt	150bn	10.625	100.7	May.2000	1.875/1.25	BAI Milan

Final terms and non-callable unless stated. §Convertible. ‡Semi-annual coupon. a) International tranche; fully fungible with the $35.925m US tranche. Conversion price: $4.79. Callable on dates from Apr.1997. Redemption price at maturity: 112.68%. b) Issue launched on 6/4/93 was increased to FFr3bn. c) Fungible with the outstanding £200m. Plus 55 days accrued interest.

Moody's rating for Chinese issue

THE first Chinese bond issue planned for the Euromarket by an entity not owned by the state, a $150m floating-rate note offer from Guangdong International Trust and Investment Corporation, was yesterday given a Baa1 credit rating by Moody's, the US agency, writes Richard Waters.

The corporation is owned by the provincial government of Guangdong, China's fastest-growing region, and has been given the same rating as that accorded the People's Republic.

The province's economy grew by 14 per cent in real terms in 1992, and its exports by 32 per cent, Moody's said. Foreign debt, it added, "represents a relatively small burden against quickly rising external revenues".

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on April 13

U.S. DOLLAR STRAIGHTS — Issued, Bid, Offer, Chg. day, Yield

	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	106⅝	+⅛	4.16
ALBERTA PROVINCE 9 3/8 95	500	111	111⅜	+⅛	4.65
[illegible]					

OTHER STRAIGHTS

	Issued	Bid	Offer	Chg. day	Yield
ARBED 7 1/2 95 LFr	600	99¾	99¾		8.10
ECSC 7 3/4 94 LFr	1000	100	100¾		7.71
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month; §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	64	6	7
Other Fixed Interest	6	0	9
Commercial, Industrial	366	183	855
Financial & Property	242	70	484
Oil & Gas	14	17	53
Plantations	0	0	8
Mines	15	62	69
Others	15	60	48
Totals	722	398	1,523

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	½	½	Anglo Utd Warrants						
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
62	Nil	21/5	5pm	1pm	BSG	1pm	-½
20	Nil	17/5	11pm	9pm	Bilston & Battersea	9pm	
44	Nil	10/5	4½pm	1½pm	Clyde Petroleum	2¾pm	-¾
10	Nil	11/5	¾pm	¼pm	Ensor	¾pm	
100	Nil	29/4	6pm	6pm	Inghams	6pm	
265	Nil	13/5	76pm	58pm	Low & Bonar	58pm	-7
160	Nil	13/5	54pm	19pm	Medeva	21pm	-1½
225	Nil	6/5	35pm	30pm	Pendragon	31pm	+1

b Figures based on prospectus estimates. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♥ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

- First Dealings April 5
- Last Dealings April 16
- Last Declarations July 15
- For settlement July 26

3-month call rate indications are shown in Saturday editions.

Calls in: Ex. Co. Louisiana, Fisons, Gresham Telecom., Hartstone, Hazlewood Foods, Higgs & Hill, Kewill Syst., Medeva, Seafield and Tullow Oil. Puts & Calls: Fisons and Medeva.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*592)	550	13	34	45	2	28	38
	600	1	13	24	41	52	67
[illegible]							

Underlying security price. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue Apr 13	Day's change %	Thu Apr 8	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)					
2	5-15 years (22)					
3	Over 15 years (8)					
4	Irredeemables (6)					
5	All stocks (60)					
	Index-Linked					
6	Up to 5 years (2)					
7	Over 5 years (12)					
8	All stocks (14)					
9	Debs & Loans (67)					

AVERAGE GROSS REDEMPTION YIELDS — Tue Apr 13, Thu Apr 8, Year ago (approx.) [illegible]

COMPANY NEWS: UK

'Exacting procedure' to obtain minorities' consent for £72.3m acquisition of stake

Telegraph's Southam deal approved

By Maggie Urry

MINORITY shareholders in The Telegraph, which is 68 per cent owned by Mr Conrad Black's Hollinger, yesterday approved a deal under which The Telegraph will buy half Hollinger's stake in Southam, the Canadian newspaper group, for £72.3m.

The special meeting held to consider the deal lasted only five minutes.

The Hollinger shares were not allowed to be voted at the meeting yesterday afternoon. Of the shares eligible to vote, proxies were received from 53.52 per cent in favour of the deal and 1.44 per cent against. That meant that 95.9 per cent of votes cast approved the deal.

At the meeting the resolution was carried unanimously, and shareholders who attended did not ask any questions.

Speaking after the meeting, Mr Black said that the vote was "a very good turn-out" for an EGM. He said "if any shareholder had any significant concern they would not have abstained. An abstention is an indication of tacit approval."

The deal – under which The Telegraph will buy shares in Southam at C$18.10 each – had aroused comment when it was revealed that shortly after The Telegraph's independent directors had approved and posted a circular to shareholders recommending it, Power Corporation, the Canadian company which is run by Mr Paul Desmarais, had agreed to buy a stake in Southam at C$14 a share.

Power and Hollinger, which each hold 18.8 per cent of Southam's shares, also came to a shareholder agreement.

The Telegraph then had to issue a supplementary circular, describing the new circumstances, in which the independent directors again recommended the deal.

Mr Black said yesterday that Power had put a proposal to Southam prior to the first circular going out but Southam had declined. "I had no reason to believe that Power wished to proceed," he said.

"I wish now that the first circular had not gone out. I had no idea that discussions with Power would revive and be fruitful."

He said the first circular had been approved at a meeting on the morning of March 13 in London, and he had heard from Power that evening in Florida after which "things moved quickly".

He also said that if there had been "any way of getting a lower price" for the shares bought by Hollinger he would have.

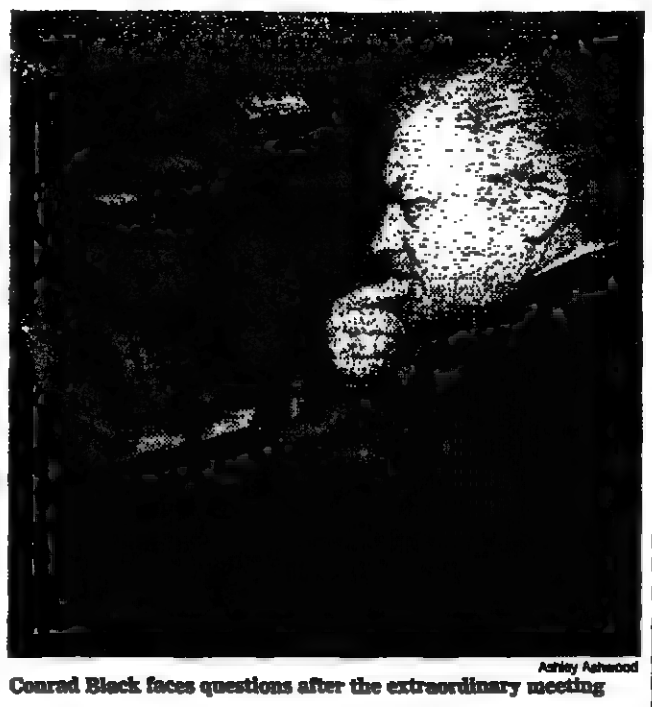
He described the process of gaining approval from The Telegraph's minority shareholders for the deal as "an exacting procedure".

He said that now Southam's management could proceed with plans to cut overmanning at the group, which has 7,500 employees, and that provisions had been made in previous accounts to cover 1,300 redundancies.

Mr Conrad Black said yesterday that Mr Kerry Packer was "a welcome shareholder" in John Fairfax, the Australian newspaper group in which Mr Black has a 15 per cent stake, held through The Telegraph. Last week Mr Packer doubled his stake in Fairfax to 10 per cent, raising speculation of a takeover battle between the two.

Mr Black said that he was "optimistic" that he would get government approval next week to increase his interest in Fairfax to 25 per cent.

He said Mr Packer's move was in line with what he had told Mr Black he would do beforehand, and "there is nothing sinister in it at all. We see him as an ally".



Ashley Ashwood

Conrad Black faces questions after the extraordinary meeting

Flotation puts £70m price tag on RPC

By Maggie Urry

RPC GROUP, the rigid plastic packaging company, yesterday confirmed its plans for a flotation in May. The float is expected to value the group at more than £70m, compared with its £33.4m management buy-out two years ago.

The issue is expected to raise more than enough new money to repay £21.5m of preference shares, including £13.5m issued to former owners Svenska Cellulosa of Sweden at the time of the buy-out. Some existing shareholders may also sell part of their investments.

The flotation involves a placing with institutions and an offer to the public through financial intermediaries.

The prospectus will include results for the year to March 31 which are expected to show an advance on the £5m operating profit recorded in 1991-92. The group has little debt, having repaid £12m of buy-out debt from cashflow and invested another £12m in the last two years.

RPC is chaired by Mr Lindsay Mackinlay, formerly a director of Rowntree Mackintosh, the confectionery group, who joined in January 1992. He is also a non-executive director of Argos and Bradford & Bingley Building Society.

RPC's executive directors have all been with the group through a number of ownership changes. The company was originally part of Reed International, the publishing company, but was sold with Reed's other packaging interests to Reedpack, a buy-out vehicle, in 1988.

Private client brokers merge in £7m deal

By Norma Cohen, Investments Correspondent

BREWIN Dolphin Holdings, the London-based private client stockbroker, has acquired Bell Lawrie White from the TSB Group in a deal believed to be worth £7m.

The acquisition creates one of Britain's largest private client stockbrokers, and follows a growing trend among those organisations to revert to the historic partnership structures which were held until they were purchased at hefty premiums by international banks in the run up to Big Bang in 1986.

"Firms such as ours with emphasis on private client business don't have much in common with large integrated firms," said Mr John Hall, managing director of Brewin Dolphin.

"Many of us became unstuck because we fell between two stools in the new structures and didn't know what it was we were supposed to do."

Brewin Dolphin was the object of a management buy-out from SE Banken last year, which had bought the partnership for itself in 1986.

The consideration includes the cost of repayment of BLW's debts.

The enlarged firm will approximately double Brewin Dolphin's client base to about 32,000 and its assets under management will increase to some £4bn.

BLW's management will become partners owning 25 per cent of the equity; two other investors, the venture capital firms of Baronsmead and 3i, will have 15 per cent and the remainder will be held by Brewin Dolphin's management.

Of the funds under management, about £600m will be managed on a discretionary basis. Brewin Dolphin will retain the research capacity of BLW and will concentrate on smaller companies and Scottish companies.

Bank of Scotland disposal

By Kerin Hope in Athens

BANK OF Scotland is to sell its 30 per cent stake in Dorian Bank, the Athens-based private concern controlled by Mr John Mavrakakis, a Greek shipowner, following Dorian's decision to expand into commercial lending.

Mr Antony Mantzavinos, president of Dorian, said yesterday that "a friendly separation" had been agreed.

Mr Mavrakakis, who holds the other 70 per cent of Dorian, is to buy the British bank's stake through Dorian Hellenic, a holding company.

He said negotiations were under way with several Greek investors interested in taking minority holdings and contributing to a capital increase for the bank.

Bank of Scotland took an equity stake in Dorian when it was set up three years ago to provide merchant banking and ship financing services in Greece.

The bank's capital base of Dr2.2bn (£6.6m) was raised to Dr5bn last year.

"The market has developed differently and we're changing our strategy, expanding into commercial banking, which is not the focus of Bank of Scotland's foreign activities," Mr Mantzavinos said.

After reporting losses of Dr647m in 1991, its first full year of operation, Dorian forecast net profits of Dr300m for last year.

Bank of Scotland acknowledged that the change in market conditions in Greece had forced Dorian to re-focus its strategy away from fee-earning services to include more corporate lending and other medium term credit products, which would require increased capital to support future growth. As a result the attraction of continuing as a shareholder in Dorian "has diminished", it said.

Mr Jim Malcolm, assistant general manager of Bank of Scotland's international division, said the reasons for withdrawing from the Dorian operations were specific to that market.

"This is not a change of strategy as far as Europe is concerned," he said, "we are still very interested."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Finals: Alexandra Workwear, Ashley (Laura), Crane Europe, Friendly Hotels, Gowrings, Kingspan, Tie Rack, Walker Greenbank, Yule Catto.

FUTURE DATES

Interims-	
Associated British Foods	Apr 19
Fleming Japanese	Apr 28
Verity	Apr 16
Finals-	
Aeis Property	Apr 19
Beattie (J)	May 5
Beckenham	Apr 20
Fleming Cont Euro Inv	Apr 22
Fleming Inc & Cap Inv	Apr 21
Hammerson Property	Apr 20
Stalra	Apr 26
Travis Perkins	Apr 27

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Erith ....fin	nil	-	0.7	0.35	2
FR Group ....fin	4.74	July 2	4.35	7.2	6.69
Sykes-Pickavant ......fin	1.75	July 1	3.5	4	5.75

Dividends shown pence per share net except where otherwise stated.

Board changes at Bullers' Britannia Collection

By Catherine Milton

BULLERS, the manufacturer and marketer of giftware, fine art and decorative accessory products, yesterday announced the resignation of one of its directors, Mr Terence Mason.

Mr Mason was managing director of the Britannia Collection, the group's principal trading subsidiary.

His departure follows the resignation of Mr Peter McBride, the group's managing director, announced in February.

Lord Even of Winton, Levend Beriker and Mr John Goodger have been appointed directors of the Britannia Collection and will fulfil Mr Mason's former executive responsibilities, the company said.

Earlier this month Bullers announced losses trimmed to £450,000 pre-tax for the half year to December 31 compared with £497,000 after stripping out losses of £838,000 for discontinued operations.

The company's share price dropped in late 1990 after it revealed pre-tax losses of £2.33m for the first half of the year against a £195,000 profit.

At the same time the company disclosed an exceptional provision of £360,000 against money owed by the Iraqi government including debt for large Islamic swords pictured in television reports.

The following year the decorative accessories division suffered when a majority of the staff at Glenlomond Fire Surrounds left and set up a rival firm.

The company restructured its finances last year.

Hostile £1.2m bid made for Plateau Mining

By Kenneth Gooding, Mining Correspondent

A HOSTILE bid was made last night for Plateau Mining, the former natural resources company which is now a shell with no employees, no liabilities or overheads but more than £1m in cash.

The all-share bid, worth £1.2m, is by Kingstream Resources, a small Australian exploration company which wants Plateau's cash to pay for a feasibility study for an integrated iron ore mine and a steel mini-mill project in Western Australia.

The offer, of 1 Kingstream ordinary for every 8 Plateau ordinary, values each Plateau share at 2.62p compared with the recent suspension price of 3p.

Plateau was floated at 90p a share in January 1990.

Guinness Mahon, acting for Plateau, described the Kingstream offer as "unbelievable" because, not only was it hostile, but it also offered less than the cash in the company.

Kingstream is being advised by Ionian Corporate Finance.

Union Intl back into black with £32.5m

By Roland Rudd

THE elimination of Union International's loss-making businesses through disposal and reorganisation helped turn a pre-tax loss of £102.3m into pre-tax profits of £32.5m after exceptionals for the year ended December 31.

During the last year the group sold many of its non-core activities, including the Australian pastoral land and cattle herd and its meatworks business, for about £80m.

However, as reported in February, preference shareholders will have to wait for any dividend until after the refinancing schedule is met at the end of December 1994.

A tight control of operational costs and a substantial reduction in central group overheads was mainly responsible for an increase in operating profits from £3.1m to £44.9m on reduced sales of £1bn (£1.3bn).

The UK division made profits before exceptionals and interest of £8.3m compared to a loss of £25.9m. The Dewhurst butcher suppliers were reduced from 1,200 to 200, and for the first time in a number of years the meat chain made a profit.

Property in the UK traded at a reduced loss and made sales of £30m, which included the disposal of the Dewhurst retail units.

Union's Australia and New Zealand businesses increased profits from £7.7m to £29.6m. The division sold its pastoral and meatworks operations and made a number of property disposals.

Profits from the Far East rose from £636,000 to £4m on the back of Union's own branded products of meat and canned product. Turnover in this area has shown an increase of 24 per cent and profits a 71 per cent rise over the past two years.

Mr Terry Robinson, chief executive, said: "Considerable emphasis is now being placed on the importance of and value of the group's brands."

Europe, excluding the UK, turned a £947,000 loss into a profit of £1.3m.

The only weak spot was South America and the West Indies which saw profits almost half from £32.5m to £16.5m.

A net cash inflow of £96.1m compared with a cash outflow of £5.9m.

A branch less fruitful than expected

Bids are invited for Meyna, PPI's Turkish offshoot: John Murray Brown reports

CREDITORS of Polly Peck International should say goodbye to any lingering hope of significant cash remittances from Meyna, the company's Turkish fruit and packaging subsidiary.

Figures contained in a confidential "information memorandum" sent to prospective buyers, reveal a company *currently* turning over barely a fifth of the sales reported in PPI's consolidated accounts before the group went into *administration in October 1990* owing banks and other creditors £1.13bn.

Whatever may have been the impression in the City of Meyna's contribution to PPI's reported profits of £107m from its near and Middle East operations – out of a group total of £161m – Meyna would now appear to be a medium-sized business, with negligible exports, and about a 5 per cent share of a highly competitive local market.

The *decision* to invite bids ends one of the more frustrating chapters in a 27-month administration to recover the Turkish assets of the UK-based fruit and electronics group. According to Coopers & Lybrand, one of the two UK accountancy firms in charge of the administration, Meyna is being sold on the basis of the company's own unaudited management and tax accounts – figures which have not been "independently verified," the *memorandum says.*

"We're confident the numbers on which the sale is being made give a fair picture of the group," said Mr Stuart Smith, the Coopers partner in charge of disposal of the Turkish companies, who said the administrators hoped to be in a position to conclude the sale in a few weeks.

As early as May 1991, the administrators warned that Meyna's trading performance as reported in Polly Peck's accounts "may be significantly overstated."

However, it is unlikely that many of PPI's 23,000 creditors envisaged quite the magnitude of the discrepancy.

As early as May 1991 the administrators warned *that* Meyna's trading performance as reported in Polly Peck's accounts "may be significantly *overstated*". However, it is unlikely that many of the 23,000 creditors of Polly Peck International envisaged quite the magnitude of the discrepancy

Meyna incurred net losses – *after* general and administrative expenses – in 1990, 1991, and the nine months to September 1992. In contrast, the administrators had established from records at Polly Peck's London headquarters that Meyna had reported revenues of TL578bn (£140m) and trading profits of TL195bn for the first six months of 1990. The local management accounts reveal a much more modest performance. For the whole of 1990 Meyna's sales totalled TL251bn *for a gross profit of just* TL18bn.

Equally modest, the group's assets were valued at TL129bn (£31m). This is hard to match with Turkish Treasury figures which show Meyna as the second largest UK capital investment – Vestel, PPI's Istanbul *electronics subsidiary*, being the largest.

Turkish fruit traders, however, were always clear about the size of Meyna. *"If Meyna* stopped producing tomorrow it would have absolutely no effect on the market here," said the owner of one of largest fruit companies.

"I think they'll get a very rude shock when they try to sell the group," said another *competitor.*

Bids are invited for Meyna, the group's fresh fruit arm, Meysin, a fruit concentrate business, *and Unipac, a small* corrugated box factory at Adana, the only subsidiary currently reporting profits.

Mr Fahri Gorgulu, the company's chief executive and former head *of* the Turkish police, confirmed that Meysan, a sunflower oil refiner, Kaynak, a *wholesaler*, and Niksar, *PPI's* bottled water plant, had been sold to Mr Sudi Ozkan, a local casino owner.

Because of the share structure and inter-company balances, only part of the proceeds have been remitted to PPI – the balance was reinvested in the Meyna group. However, the deal is not expected to generate a large sum. Meysan has little in the way of *assets*, while Kaynak has ceased operations in Ankara, Adana and Izmir.

"What we have left are the *Meysan sites at* Adana and Mersin and the three other packing houses. It's a conventional marketing and auctioning operation," said Mr Smith.

The administrators are talking to "a number of interested parties". Their preference is to sell the whole operation, *but* they will consider the sale of individual units.

However, their efforts to sell could be hampered by current market *conditions. The fruit* sector is currently awash with excess capacity, following last year's sale of two state-owned fruit juice companies – Meysu and Guneysu. Traders say there may be interest from a business downstream, but here the government's planned share offering in Sek, its dairy corporation, could dampen enthusiasm.

Meyna may have some of the most modern facilities in Turkey, but there is unlikely to be much additional value put on Meyna's brand names – Fresh, *its fruit juice*, being its best known. Moreover, the properties, while close to the citrus groves, are far from the apple, peach, apricot and cherry regions, an important consideration when fruit businesses are trying to diversify product lines to maximise factory utility rates.

Given that the company is suffering losses, one London analyst suggested it was doubtful any *buyer would pay* more than net asset value and "in fact more likely a discount to net asset value." Meyna's net asset value was put at TL194bn in 1991.

Certainly, there has been an impact on the balance sheet. Already, banks are restricting credit lines, while suppliers demand cash payment. As a *result*, the group is now working on a contract basis, no longer buying fruit on its own account.

Meyna has been *forced* to sell one of its five packing houses and another was closed. The Unipac cardboard box facility at Adana is working at about 50 per cent capacity. Since the administration, the fresh produce operation has withdrawn from trading in pulses, raisins and nuts.

The administrators say they are marketing *the companies* on the basis *of* their present trading performance. Anything else would be "entering the area of the unknown".

However, a buyer may find it difficult to make an assess*ment of the group's potential*, without figures for the period prior to the administration, which Meyna's management has declined to provide.

Healthy niches in aviation and defence markets

FR Group shows 9% improvement to £23.3m

By Richard Gourlay

FR GROUP yesterday reported pre-tax profits up 9 per cent at £23.3m for the year to December 31 as the company appeared to demonstrate there are some healthy niches within the depressed aviation and defence markets.

Cutbacks in the aviation programmes of most aircraft makers, however, meant the company was continuing to rationalise that side of the business in the face of "a significant downturn in demand" from the high levels of the late 1980s.

Sales were also up 9 per cent at £182.8m while earnings per share rose 7 per cent to 21.48p.

A proposed final dividend of 4.74p brings the total for the year to 7.2p, up 8 per cent.

Mr Gordon Page, chief executive, said that while the aerospace and defence industries were experiencing significant falls in demand there remained continuing demand for FR's products and services.

On its military side, governments were going to spend an increasingly large slice of the smaller defence cake on products and services like FR's surveillance, high tech training capability and its air-to-air refueling systems.

On the aviation side, Mr Page said FR was reacting to the flow of cutbacks in civilian aircraft programmes by the likes of McDonnell Douglas, Airbus and Boeing by closing some sites and developing an ability to supply integrated systems rather than components on their own.


Gordon Page: continuing demand for FR's products

The group was cutting 170 jobs this year and last and was closing one factory and integrating the operations of two others. Substantially all the associated cost had been provided within the 1992 accounts.

FR ended the year with net cash of £9.4m, up from £7.8m, in spite of an increased interest charge on un-hedged foreign exchange denominated debt.

The company has also begun to develop non-military applications for the technology involved in air-to-air refueling.

Mr Page said the company should this year announce a venture in which it would be able to apply its fluid handling and couplings technology and expertise in the petrochemical or water treatment industries.

● COMMENT

Western countries are for some time going to spend considerable amounts on defence, notwithstanding the peace dividend they are all trying to cash. The trick for investors is to differentiate between those companies metaphorically making submarines and those supplying what the armed forces will continue to need. Judging by the 40 per cent increase in FR's share price since last October, the company has gone some way towards demonstrating it might be a defence contractor with one of the rosier futures. But FR cannot avoid the pain being felt in aviation, even if it has now put what should be a lucrative components business on a sounder footing. Profits forecast at £25m for this year, would give earnings of 23.2p, and a prospective p/e that might appear relatively cheap at 12 times. On balance this price level is, however, probably about right.

Rich rewards from white-collar focus

Andrew Bolger looks at Capita and its strategy for success in the public sector.

A TOTAL of 170 finance staff from the London borough of Bromley will soon become employees of Capita Group, which has expanded rapidly by offering management services to the public sector.

Capita's market value has grown seven-fold, to £72m, since flotation in 1989. Pre-tax profits have surged from £700,000 in that year to £4.41m in 1992, on sales of £33.1m.

Unlike other private contractors which have moved in on the public sector, Capita focuses on high-value, high-margin activities such as revenue collection and computers, rather than refuse collection or school meals.

Mr Paul Pindar, Capita's managing director, said: "Providing blue-collar services is not our bag." He believes that methods used by other operators to win public sector contracts – such as cutting the wages and conditions of staff – are not sustainable in the long term.

The Bromley employees, who voted 98 per cent in favour of Capita's offer from a choice of three, will transfer on their existing terms and conditions. Under the £24m contract Capita will, for the next five years, manage most of the borough's exchequer services – including payroll, pensions, business rates, council tax and benefits.

Capita estimates that it will save the council £1m over the life of the contract, which is three times the size of any previous "outsourcing" of white-collar services in local government. It also said new opportunities would be created for the Bromley staff, who have seen their workload diminished by recent changes, such as the move from community charge to council tax.

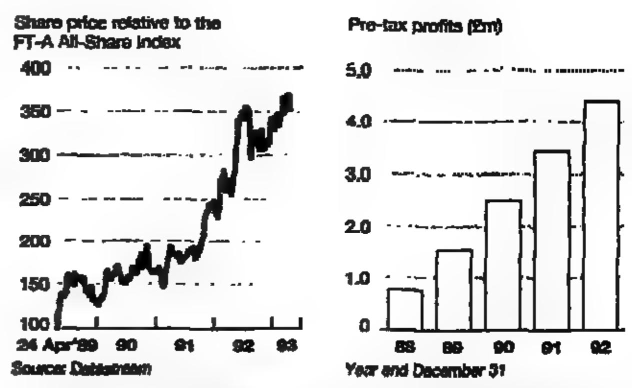
Although more than 80 per cent of the group's revenues come from work in the public sector, Capita's distinctive contribution has been to apply sophisticated private-sector business techniques to the traditional activities of local authorities and government agencies – particularly the collection of revenue.

Mr Pindar said: "We want to be in areas that fit – quality areas, with significant margins. That's why we went after revenue – if we can put together something which brings in more cash, then everyone wins."

On behalf of the Driver and Vehicle Licensing Agency, Capita employs up to 80 people using computerised telephone systems to deal with sales and inquiries for personalised number plates. Since starting in October 1990, it has sold more than 200,000 number plates and raised more than £100m for the Treasury.

Telephoning people at their homes during the evening can be an effective way of raising money. The latest technology from the US allows one operator to make 25-30 calls per hour and be provided with the details of the particular account on a screen when each connection is made. When Capita recently was contracted to call 100,000 people whose TV licence payments were overdue, nearly half of the 60,000 successfully contacted went out and bought a licence soon afterwards.

Capita Group



It was success rates like that which encouraged local authorities of all different political persuasions to use Capita to help collect poll tax.

In spite of offering services which have been championed by the Conservatives, Capita claims it would not have been upset by a Labour victory at the last general election. Mr Pindar said: "We were unconcerned about the prospect of either a Tory or Labour government – but a hung parliament might have brought decision-making to a halt."

To date, Capita has employed local authority staff when taking over contracts, but Mr Pindar said: "Once we have major operating centres, we will offer deals to local authorities which do not involve the transfer of staff."

Following a European directive, employees whose jobs are transferred from one employer to another are protected under the Transfer of Undertakings (Protection of Employment) regulations. Capita takes a cautious view of its obligations under the rules, and has fulfilled all of their conditions for the staff it has acquired.

If Capita took on the work but not the employees for a contract, it says the Tupe obligations would have to be honoured – probably by the local or central government department contracting out the work.

The Bromley staff will join Capita's existing workforce of 850, which is divided between two divisions – outsourcing and advisory, which provides consultancy and training services.

Capita's shares enjoy a premium rating – partly because of its rapid history of growth and partly due to the group's expanding opportunities, as "outsourcing" spreads from local authorities to the NHS and into the heart of central government.

Although analysts remain bullish about the stock, some point out that it is difficult to evaluate Capita's contracts, which are both large and long-term. BZW says: "Capita's businesses are complex and the nature of some of them is such as not to lend themselves to external analysis. Were something to go awry, there may be little warning."

Mr Pindar responds by pointing to the expertise of the seven-strong board, which includes five accountants. The business started in the early eighties when Mr Rod Aldridge, the current chairman, established a computer services company for the Chartered Institute of Public Finance and Accountancy. In 1989, a management buy-out was supported by 3i, the venture capital group.

Mr Pindar said: "We are never going to go in and bid just on price. We recently walked away from a contract worth £10m, on which we had put in nine months' work. In five out of six of the large information technology contracts we won, we were not the cheapest bidder."

Mr Richard Childs, a director, believes contracts are awarded on the basis of quality, added value, price and treatment of staff – in that order.

He said: "We manage the treasurer's lifeblood. If we screw up, the treasurer is going to lose his job."

NEWS DIGEST

Erith losses top £0.56m

LOSSES continued through 1992 at Erith, the builders' merchant, to total £557,000 for the full 1992 year. The group achieved a modest profit of £24,000 in the previous 12 months.

There is no final dividend, leaving the 0.35p interim as the payment against a total of 2p. Losses per share were 0.82p (earnings 0.09p).

Sales slipped to £66.3m (£67.5m) and generated an operating profit of £129,000 (£733,000).

The year was punctuated by a series of false dawns – the last two months of the year saw particularly adverse trading conditions, directors said.

Sykes-Pickavant lower at £629,000

Sykes-Pickavant, the USM-quoted manufacturer of hand tools and diagnostic equipment, reported another downturn in 1992 with pre-tax profits of £629,000, compared with £731,000 previously and £1.19m for 1990.

Turnover improved from £18.2m to £18.7m, reflecting an increase in export sales and a full year's trading from Auto Service Products.

After a lower tax charge, earnings per share were 6.23p (5.25p) but the final dividend is halved to 1.75p for a total of 4p (5.75p).

There was an extraordinary charge of £511,000, mainly related to writing off the investment in Motortest of Germany.

Buy-out at Maiden Advertising

Maiden Outdoor Advertising, the independent private poster contractor, has been acquired by its management in a buy-out financed by Morgan Grenfell Development Capital.

Morgan Grenfell and NatWest Acquisition Finance have respectively underwritten the institutional equity and debt commitment of the financing package which amounts to about £21m.

The funds will finance the acquisition and provide for future growth.

ICI completes Canadian disposal

Imperial Chemical Industries has completed the disposal of its Canadian-based nitrogen products business to Terra Industries, of Sioux City, Iowa, for C$68m (£35.6m) cash.

The sale included ICI's anhydrous ammonia plant and related upgrading facilities in Sarnia, Ontario, and its interest in 32 "agromart" farm service centres in Ontario, New Brunswick and Nova Scotia.

Combined sales from ICI's Canadian nitrogen products and "agromart" operations totalled about C$250m in 1992.

Bruntcliffe moves into aggregates

Bruntcliffe Investments is to raise some £3.6m via a placing of 16m shares at 25p to fund its proposed move into aggregates extraction and coal reprocessing.

The company also intends to change its name to Bruntcliffe Aggregates and apply to the Stock Exchange for a listing.

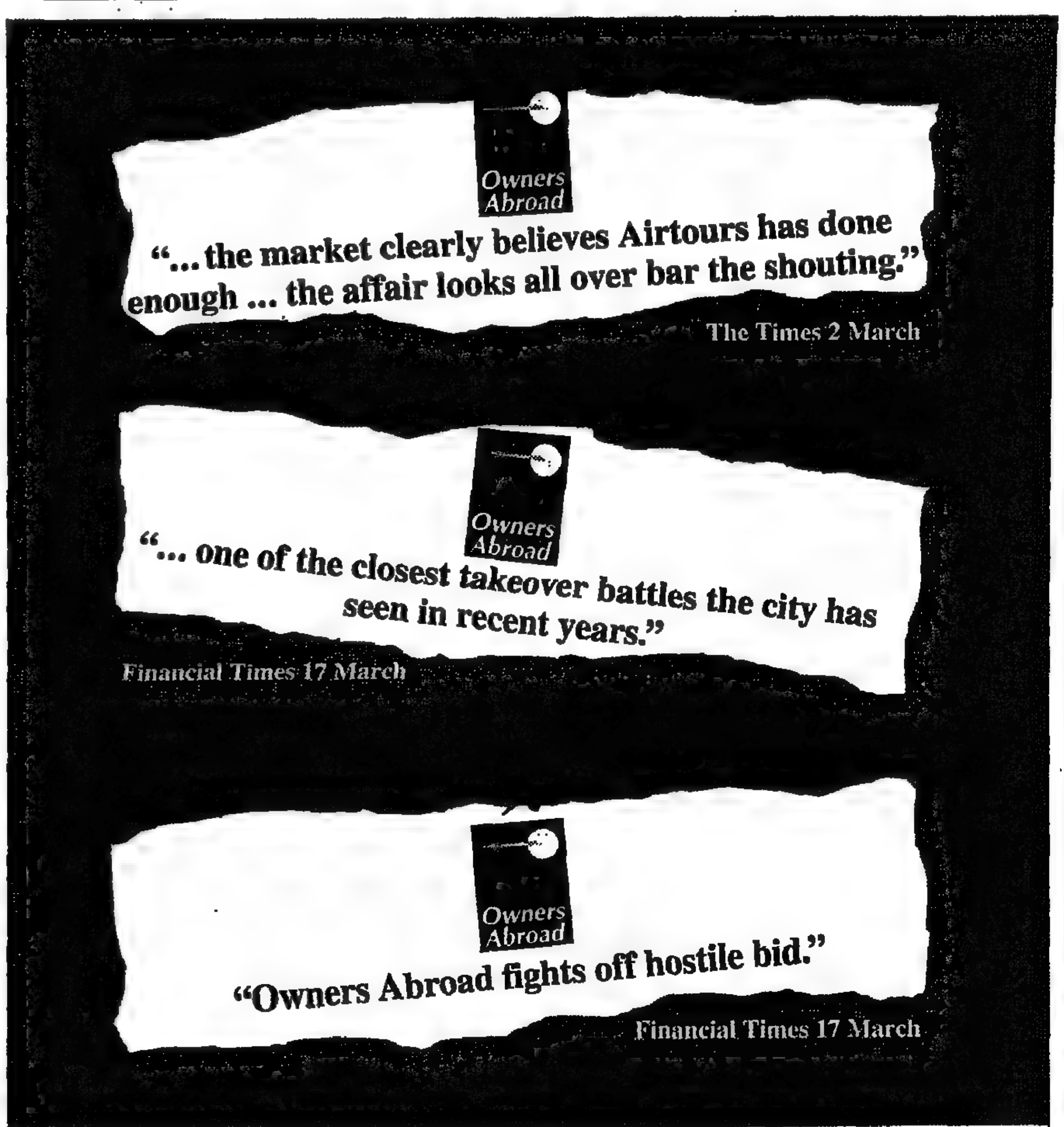
Bruntcliffe, which has recently sold its investment portfolio, is to acquire Lorasen Holdings – a company with aggregate reserves and surface coal deposits near Pittsburgh, Pennsylvania – and Ideal Aggregates – a Warwickshire-based mineral extraction company.

The company also proposes to convert each of its preference shares into five new ordinary shares and five deferred shares. The deferred shares will have no value and will be cancelled following approval of the High Court.

EFM Dragon bid terms finalised

EFM Dragon Trust has finalised the terms of its all-share offer for Drayton Asia, its rival Far Eastern investment trust.

Holders of 100 Drayton shares will receive 694 new Dragon shares. The offer is now unconditional in all respects and remains open for acceptance until further notice.



Fox suspends raw sugar trade

By David Blackwell

TRADING IN London's raw sugar contract was suspended yesterday by the London Futures and Options Exchange (Fox). But the search is on for a replacement contract, which it is thought could be launched this summer.

Mr Robin Woodhead, Fox chief executive, said a report by Landell Mills Commodities *Studies had suggested that no* single factor had been behind the sharp decline in the exchange's raw sugar volumes. But moves from sterling to dollars, from floor to screen and back again, and the addition of Cuba as a country of deliverable origin had all done harm. Business switched to the relatively young and very liquid New York market.

Last month London raw sugar volume fell to 1,399 lots compared with 4,384 lots in March last year. In January 1991, when trading was switched to screens in a bid to boost volumes, the contract traded 120,176 lots.

Sugar trading, which began in London in the late 1880s, *will be continued in the* screen-based white contract – probably the world's most successful screen-traded commodity. *But* Mr Woodhead reported a groundswell of support from trade and brokerage houses for the exchange to create a new raws contract.

Response from the trade in London and New York yesterday was mixed. "It is essentially the main sugar trade in London who dropped the contract in the first place. Why do they now say they want it continued?" asked one seasoned observer. Changing any contract was always a sure way to lose volume, he said, pointing out that London's virtually untouched cocoa contract was Fox's most successful market.

Mr Chris Pack, analyst with Czarnikow, a leading London trader, said any international instrument needed stability. "Once you have lost it it is very difficult to retrieve."

However, another London trader said reports of the death of raw sugar trading in London were greatly exaggerated. He suggested that a new contract – possibly screen based – would attract arbitrage business with New York.

Several US traders pointed out that *their companies had* stopped using London when it decided to accept Cuban sugar *for delivery*, as dealing in Cuban sugar was against US law. They would welcome a *revived London market*, especially in the light of recent renewed interest in sugar.

PNG plans 50% stake in Lihir gold project

By Kevin Brown in Sydney

THE GOVERNMENT of Papua New Guinea (PNG) yesterday *said it would take a half share* in the US$760m Lihir Island gold project unless RTZ Corporation and Niugini Mining, the joint venture partners, find a third partner within a month.

The announcement comes only days after the government said it would increase its proposed stake in Lihir from 20 per cent to 30 per cent to achieve parity with the Australian-run Porgera gold project.

Mr Paias Wingti, prime minister, said after a cabinet meeting in Port Moresby that the government had decided to take a 50 per cent shareholding to make sure the project was not delayed.

He said the joint venture partners had indicated the project faced "financing difficulties."

The announcement appeared to surprise the joint venture partners. Niugini Mining, which owns 20 per cent of the project, said it had received no official notification of the proposal.

The Lihir Joint Venture (LJV), which represents both *companies, said it was considering* its response and hoped "to continue discussions with *the PNG government* in the near future."

The government was expec*ted to pay US$37.5m for a 30* per cent stake which would reduce Niugini's shareholding *from 20 per cent to 14 per cent,* and RTZ's from 80 per cent to 56 per cent.

Lac Minerals of Canada, one of a number of companies RTZ talked to about taking a share*holding, withdrew from the* project last year, and the development has been delayed by *RTZ's failure to find a fresh* taker for a 15 per cent stake.

Domesday in a big brown envelope

Cereal and beef producers wanting set aside payments have their paperwork cut out

FARMER'S VIEWPOINT

By David Richardson

LARGE BROWN envelopes marked MAFF and weighing a *total of some 20 tonnes* thudded through British farmers' letter boxes last week. Many of *the cereal and beef farmers* to whom these packages were addressed will have spent much of their Easter holiday poring over the contents. For they contained the dramatically dubbed "Domesday" forms, otherwise known as "The Integrated Administration and Control System", IACS for short.

They are the direct result of the reform last May of the Common Agricultural Policy. If farmers do not complete them correctly those who grow cereals and produce beef will not be eligible for arable area payments in compensation for setting aside 15 per cent of their cereal land or for headage payments on controlled numbers of cattle.

Each form has 19 columns of questions which farmers must answer, *giving every detail* about every field under their control – its Ordnance Survey *sheet number, its national grid* reference, its size (in hectares, not acres) to two decimal *places, the crop it is growing*, the variety of the seed, its estimated yield, etc etc etc. Each *part field must* be recorded on a separate line which, in practice, because of split cropping *perhaps, or the fact* that the whole field may not appear on just one map, means that some fields run to five or six lines. Copies of the maps themselves must be included with the forms when they are returned. Rather more than 20 tonnes of paper *will shortly be heading* back to Maff, I suspect.

Before a farmer attempts to *fill in the IACS forms he is* advised to read and fully understand the 79-page book of *instructions which accompan*ied them. For if there is a delay in returning the forms, or a *mistake is made, the penalties* are harsh. For instance, if the forms, correct in every detail, are returned to Maff later than the May 15 deadline the farmer concerned will have his aid *reduced by 1 per cent for each* day by which the return is delayed. If this extends beyond 20 days he will lose the whole of his entitlement. There are similar penalties for accidental inaccuracy and threats of criminal prosecution.

It is unlikely there will be much public sympathy for an industry about to receive close to £1bn of public money merely because its participants are required to fill in some forms.

But to understand farmers' hostility to the massive bureaucracy it should be remembered that most farmers did not want set-aside in the first place and never thought that it would work; *that they* would far rather be growing crops or producing meat from their land than *allowing weeds* to regenerate on 15 per cent of it; and that while these forms have taken hundreds *of* experts 10 months to write, the farmers who have to complete *them have barely five weeks to* gather together all the necessary facts and evidence and return them.

To the layman, that may sound more than adequate *time. But 67 people* are leaving the land each week, leaving a growing number of farmers to *do all the work* on their holdings themselves. And this at a particularly busy time of year *that* involves being on a tractor from dawn to dusk or perhaps on duty in the lambing shed *for* 20 or more hours a day.

It would not be so bad if the related *services* were on the ball and helpful. As it is I know from personal experience that the local Ordnance Survey map office does not open until 10.30 am (weekdays *only*), by which time there is invariably a queue of irate farmers banging on the door.

For next Friday is effectively the last day for placing orders for maps *with any* hope of getting them in time for May 15.

In desperation many farmers are *seeking assistance* with the forms from land agents, their agricultural merchants or con*sultants* who have advertised such a service.

On the other side, so to *speak*, Maff has employed 500 extra staff to check the forms, inspect and measure fields and *try to* identify fraud and. Maff also intends using aerial photographs and satellite images to double check farmers' returns. And £25m has been allocated for policing the scheme.

Inevitably UK farmers have expressed suspicions that within the European Community they may be the victims of enthusiastic British bureaucracy, while the farmers of other member states may be getting away with much less. This, apparently, cannot be fully substantiated.

It is reported that some countries, notably Portugal and Spain, have used the form as an excuse to ask extra questions on which they required answers on matters unconnected with CAP reform. Ireland has not yet sent out its forms and Greece produced such a complicated draft that farmers' organisations have so far refused to agree to its distribution.

Germany issued its forms a month earlier than the UK – although farmers spanning state borders have to complete two versions - while our nearest neighbours across the North Sea appear to have come closest to reason. Denmark's form runs to eight pages, Belgium's to six and Holland's to only four.

But British farmers have some justification for feeling they are being asked to carry a bigger bureaucratic burden than the rest. In the Community as a whole, 34 per cent of the arable land area escapes set-aside regulations and therefore these forms, because of small farm exemptions. Moreover in Greece 88 per cent of the arable land is *not involved*; in Luxembourg the figure is 77 per cent and in Italy 71 per cent. Other *Mediterranean* member states and those with poor farming structure qualify for rather lower exemptions while even Holland has 36 per cent of its area outside the scheme; *Germany 27 per cent* and France 18 per cent.

In the UK, however, small farm exemptions represent only 4 per cent of the arable area. That is the reason why almost any *farmer you may* have seen over Easter will have been even more grumpy than usual.

Danes end fish protest

By Xueling Lin in Copenhagen

A TWO-WEEK long action by *Danish fishermen ended yes*terday when the two largest fishing associations agreed to a *government rescue package for* the industry, which has been hit by cheap imported fish and cuts in *EC catch quotas*.

Exports of fish and fisheries products in 1992 were about Dkr13bn.

Fishermen mounted blockades of ports, fish processing factories and trucks transport*ing foreign fish through Den*mark, the action culminating in a freeze on all fishing by *Danish fishing* vessels.

The demands met in the agreement include an increase *in fish quotas, in particular* cod and sole, cheaper long term loans, improved taxation *rules, pension payments for* retiring fishermen and better compensation for scrapped vesssels, which are part *of* measures to cut the size of the fishing fleet.

Turkish agriculture approaches watershed

John Murray Brown on a project to harness the Tigris and Euphrates for irrigation

THE WORLD'S second largest single source irrigation scheme will be inaugurated by Turkey's prime minister, Suley*man Demirel*, on May 22, when the large 24km Urfa tunnels are opened to take water from *the Ataturk dam to the Harran* plain on the border with Syria.

The twin tunnels, providing water *for* 1.7m hectares of farmland along Turkey's border with Syria and Iraq, form *part of the largest engineering* undertaking in any country bordering the Mediterranean.

The South-East Anatolian development, or Gap, has already aroused criticism from *Turkey's downstream* neighbours. It will be the task of the UK water engineer, Sir William *Halcrow and Partners, which* has been awarded a US$12m consultancy contract, to design *an irrigation system which* meets the various political, economic and environmental concerns.

Halcrow's findings could decide the future shape of *farming in Turkey, providing a* blueprint for irrigation in other parts of the country.

Water management is at the heart of Turkey's attempts to harness the Tigris and Euphrates rivers for agriculture. Turkey already earns almost $3bn from farm product exports, about 20 per cent of total export earnings. Gap is expec*ted to* increase Turkey's irrigated farmland by a third, doubling wheat production and increasing cotton output more than fivefold.

After going it alone for so *long, Turkey is soliciting for*eign advice on a number of critical aspects of the project, an indication of desire to avoid the criticism associated with other large scale public invest*ment irrigation schemes.*

The French group Compagnie Nationale Bas Rhone Lan*quedoc is surveying the main* canal system. Alexander Gibb, the UK consultant, has a subcontract *to look at road infra*structure. Tubitak, the Turkish science research institute, is *studying agricultural credit* policy. The German company AFC is looking at market strategy.

At Cukurova university, scientists are making studies of everything from the reproductive habits of bees – vital for future pollination purposes in such a vast monoculture crop scheme – to the region's soils.

Halcrow's project will focus on issues of land ownership, land quality, topography, climate, water availability and the social, religious and economic attitudes of farmers in *the region. It will advise on the* teaching of extension skills for farmers unused to modern farm methods, on cost recovery and conservation technologies for downstream users.

Water is perhaps the Middle East's most vital resource and control of both the Euphrates *and the Tigris would make* Turkey a vital player in settlement of the region's water dis*putes in any future Arab-Is*raeli negotiation. Foreign hydrologists have long argued for more prudent management.

There are many obstacles. Today Turkish farmers are charged for their water according not to volume used but to the quality of the land being irrigated – the poorer the soils the cheaper the water. According to Mr Hurman Ocakli, deputy president of the GAP authority, "the farmers use as much water as they want. It is not even calculated."

Repayment of loans in Turkey's south east region is 30-40 per cent, compared with a national figure of 75-80 per cent for agricultural credits.

Many agronomists believe there will have to be widescale land reform, not so much for equity as efficiency.

There is little prospect of increasing scale economies in a region where according to one calculation, more than a quar*ter of the cultivated* land is owned by less than 1 per cent of the region's farmers. *Equally striking* is that 61 per cent of farmers own less than five hectares of land.

The environmental challenge is even more urgent. No more than 30 per cent of the planned 1.7m hectares is likely to use the more expensive drip or pressurised hose irrigation, the rest being open furrow system.

Western officials say there is a new urgency as farmers prepare to irrigate the first 40,000 hectares on the Harran plain, *close to the Syrian border.*

The land use issue is political at a time of rising violence in Kurdish speaking areas. According to one senior official, the explicit aim of the GAP project is to "reduce the rural population," through land consolidation and the provision of alternative industry in urban areas.

Many officials believe the jobs created by the GAP will help accelerate this process. In the long run, Ankara sees the demographic cards stacked in its favour, and that this, more than *any olive branch of* reform, is the best way to undermine the power base of *the Kurdish guerrillas.*

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in *brackets*).

ANTIMONY: European free market 99.6 per cent, $ per *tonne, in warehouse, 1,640-1,700* (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.35-0.45 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 15.00-15.50 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, *120-140 (same).*

MOLYBDENUM: European free market, drummed molybdic *oxide, $ per lb Mo, in ware*house, 2.20-2.25 (same).

SELENIUM: European free market, *min 99.5 per cent, $ per* lb, in warehouse, 4.70-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 31-43 (same).

VANADIUM: European free *market, min. 98 per cent, $ a lb* V_2O_5, cif, 1.55-1.65 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.45 (same).

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+8,800	to 1,763,225
Copper	+1,450	to 367,250
Lead	+1,650	to 247,575
Nickel	+348	to 88,398
Zinc	+1,650	to 604,200
Tin	+5	to 19,650

WORLD COMMODITIES PRICES

MARKET REPORT

ZINC closed near seven-week highs on the LME, largely reflecting technical factors. The early breach of chart resistance around $1,030 a tonne for three-month metal triggered fund short covering and further buying. Talk also circulated of production cuts, centred on Pacific Rim countries, although no news had emerged by the close. Three-month **COPPER** was firmer, as the market staged a recovery from last week's five-year lows and moved above $2,050 a tonne. But business was not particularly active, while volatility levels in traded options eased, reflecting calmer conditions. Trading on the London bullion market was thin after the holiday weekend, with few new fundamental factors to sustain prices. Chartists said both **GOLD** and **SILVER** were consolidating above recent lows but forecast renewed weakness near term. Early firmness in Europe was attributed to the overnight rise in the Nikkei index and the unrest *in South Africa after the weekend* slaying of Communist Party leader Chris Hani. But these factors were played down *later* as New York opened mixed.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(May)		+ or -
Dubai	$16.59-6.62u	+0.31
Brent Blend (dated)	$18.76-8.78	+0.28
Brent Blend (May)	$18.98-9.00	+0.28
W.T.I (1 pm est)	$20.45-0.48u	+.375
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$208-209	
Gas Oil	$178-179	+2
Heavy Fuel Oil	$77-78	
Naphtha	$175-176	+0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$336.55	-0.4
Silver (per troy oz)♣	384.5c	-0.5
Platinum (per troy oz)	$361.5	+2.75
Palladium (per troy oz)	$112.0	+1.5
Copper (US Producer)	95.0c	
Lead (US Producer)	33.50c	-1.73
Tin (Kuala Lumpur market)	14.29r	+0.01
Tin (New York)	260.0c	-0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	135.78p	+0.97*
Sheep (live weight)†♣	142.63p	+11.6*
Pigs (live weight)†	92.15p	+1.77*
London daily sugar (raw)	$268.2	-3.8
London daily sugar (white)	$283.0	
Tate and Lyle export price	£282.5	-6.5
Barley (English feed)	£144.5u	
Maize (US No. 3 yellow)	£171.0	
Wheat (US Dark Northern)	Unq	
Rubber (May)♥	59.00p	-1
Rubber (Jun)♥	59.50p	-1
Rubber (KL RSS No 1 May)	214.0m	
Coconut oil (Philippines)§	$402.5y	+3.5
Palm Oil (Malaysian)§	$402.5u	+2.5
Copra (Philippines)§	$262.5	
Soyabeans (US)	£174z	-3
Cotton "A" index	61.0c	
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-May/Jun u-May. z-Apr/May ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	235.80		240.00	234.00
Aug	248.00		247.00	
White	**Close**	**Previous**	**High/Low**	
May	287.50	289.50	288.00	283.50
Aug	289.00	292.20	290.20	286.00
Oct	272.50	275.70	272.70	269.00
Mar	272.00	274.80	271.30	271.00
May	275.00		272.50	271.50
Aug	279.50		277.00	

Turnover: Raw 253 (8) lots of 50 tonnes. White 2785 (3943) Paris- White (FFr per tonne): May 1529.97 Aug 1555.33

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
May	18.97	18.77	19.03	18.93
Jun	19.09	18.84	19.14	19.03
Jul	19.06	18.78	19.09	18.98
Aug	19.09	18.96	19.12	19.04
Sep	19.14		19.14	19.12
Oct	19.09		19.15	19.09
Nov	19.17		19.17	19.
Dec	19.13		19.13	19.
IPE Index	18.86	18.89		

Turnover 33797 (38597)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
May	175.25	173.25	176.00	174.50
Jun	174.25	172.50	175.00	173.75
Jul	175.00	173.50	175.75	174.75
Aug	176.75	175.00	177.00	176.75
Sep	178.75	177.00	179.00	178.75
Oct	181.50	179.50	181.50	181.00
Nov	183.50	181.50	183.00	
Dec	185.00	182.75	184.75	
Jan	185.00	182.75	184.25	

Turnover 8659 (28472) lots of 100 tonnes

JUTE
C and F Dundee: BTC US$345, BWC US$370, BTD US$315, BWD US$295. C and F Antwerp: BTC US$330, BWC US$330, BTD US$305, BWD US$305.

COTTON
LIVERPOOL- Spot and shipment sales amounted to 88 tonnes for the week ended 9 April, *against 294 tonnes in the previous week*. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles notably in the Russian range.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
May	695	691	697	692
Jul	709	704	711	705
Sep	721	717	723	718
Dec	740	736	741	736
Mar	758	755	761	756
May	772	768	774	770
Jul	786	781	786	
Dec	820		820	

Turnover: 5019 (4176) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 8 711.22 (701.96) 10 day average for Apr 13 703.14 (702.96)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low	
May	886	891	897	887
Jul	850	849	860	846
Sep	860	862	860	846
Nov	866	864	866	855
Jan	878	878	870	
Mar	887	880	875	

Turnover:2715 (3786) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 12: Comp. daily 49.93 (-) 15 day average 52.12 (52-)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
May	41.5	40.2	41.7	41.5
Apr	93.3	93.0	93.5	93.0

Turnover 10 (22) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Jun	139.00		139.00
Aug	140.00		140.00

Turnover 20 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low	
Apr	1460	1450	1462	1455
May	1430	1422	1430	1425
Jun	1360		1360	1360
Jul	1264	1260	1270	1264
Oct	1370		1370	
BFI	1475	1477	1475	

Turnover 50 (61)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
May	143.75	743.75	143.75	143.25
Jun	144.15	144.40	144.15	144.00
Nov	109.80	110.65	110.35	109.75
Jan	112.90	113.50	113.20	112.80
Mar	115.15	115.65	115.35	115.15
May	118.05	118.56	118.05	
Barley	**Close**	**Previous**	**High/Low**	
Nov	108.50	109.10	108.50	
Mar	113.40		113.40	

Turnover: Wheat 201 (276), Barley 10 (0).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	112.5	112.5	112.0
Jun	109.0	108.5	109.0
Jul	104.5	106.3	104.0
Sep	103.0		103.0

Turnover:27 (27) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)				Total daily turnover 38,034 lots		
Cash	1121-22	1118.5-8.5	1117	1117-17.5		
3 months	1143-43.5	1140-1	1147/1138.5	1138.5-39	1148.5-48	157,858 lots
Copper, Grade A (£ per tonne)				Total daily turnover 39,809 lots		
Cash	1305-06	1305-6	1302	1302-02.5		
3 months	1329-29.5	1328-9	1332/1325	1326-26.5	1328-27	161,081 lots
Lead (£ per tonne)				Total daily turnover 2,590 lots		
Cash	275-76	281.5-2.5		281-81.5		
3 months	284.5-85	291-1.5	292/283	290-91	286/286.5	19,995 lots
Nickel ($ per tonne)				Total daily turnover 4,278 lots		
Cash	5975-85	6010-5	5980/5975	5976-78		
3 months	6045-50	6070-80	6105/6040	6050-52	6055-60	43,979 lots
Tin ($ per tonne)				Total daily turnover 976 lots		
Cash	5605-15	5625-30		5605-10		
3 months	5670-75	5680-90	5685/5660	5665-70	5665-70	8,812 lots
Zinc, Special High Grade ($ per tonne)				Total daily turnover 21,491 lots		
Cash	1037-38	999-1001	1028	1029-29.5		
3 months	1055.5-56	1017-8	1064/1025	1047.5-48.5	1061-1062	67,495 lots

LME Closing £/$ rate:
SPOT: 1.5590 | 3 months: 1.5491 | 6 months: 1.5425 | 9 months: 1.5344

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	336.40-336.70	
Opening	336.70-337.00	
Morning fix	336.85	217.429
Afternoon fix	336.70	215.944
Day's high	337.10-337.40	
Day's low	336.30-336.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.61	6 months	2.46
2 months	2.56	12 months	2.43
3 months	2.50		

Silver fix	p/troy oz	US cts equiv
Spot	249.60	387.25
3 months	253.15	390.15
6 months	256.60	393.25
12 months	263.50	400.00

GOLD COINS

	$ price	£ equivalent
Krugerrand	336.50-339.50	217.00-219.00
Maple leaf	347.10-349.35	
New Sovereign	80.00-83.00	51.00-53.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Aug	May	Aug
1100	33	62	3	10
1125	15	45	10	17
1150	5	31	25	28
Copper (Grade A)	**Calls**		**Puts**	
2000	77	102	32	52
2050	50	94	55	73
2100	30	71	86	99
Coffee	**May**	**Jul**	**May**	**Jul**
850	48	43	21	33
900	16	24	58	64
950	3	12	105	102
Cocoa	**May**	**Jul**	**May**	**Jul**
700	8	37	12	28
725	2	26	31	42
750		18	54	59
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1850	71		15	
1900	39	52	28	
1950	17	31	57	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	337.7	337.0	337.8	337.2
May	338.1	337.5	337.6	337.6
Jun	338.8	338.2	339.1	337.9
Aug	340.1	339.5	340.0	339.4
Oct	341.4	340.8	341.3	340.9
Dec	342.7	342.1	342.9	341.8
Feb	344.2	343.6	0	0
Apr	345.6	345.0	345.3	345.3
Jun	347.0	346.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	370.4	367.5	0	0
Jul	362.4	362.5	363.5	361.0
Oct	361.1	361.2	361.5	361.0
Jan	360.4	360.2	360.5	360.5
Apr	359.9	359.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	386.9	386.9	0	0
May	387.7	387.7	389.5	385.5
Jun	389.0	389.0	0	0
Jul	390.3	390.3	392.5	388.0
Sep	392.8	392.8	393.0	392.0
Dec	396.5	396.5	396.0	394.5
Jan	396.9	396.9	0	0
Mar	400.4	400.4	401.5	399.5
May	402.8	402.8	402.5	402.5
Jul	405.5	405.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	89.90	89.90	91.00	89.90
May	90.50	89.30	91.60	90.15
Jun	90.90	90.70	91.60	91.60
Jul	91.30	91.05	92.30	90.90
Aug	91.70	91.45	0	0
Sep	92.10	91.85	93.10	91.85
Oct	92.35	92.10	0	0
Nov	92.75	92.50	0	0
Dec	93.25	92.95	94.25	93.00
Jan	93.50	93.25	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	20.47	20.48	20.52	20.40
Jun	20.66	20.66	20.73	20.58
Jul	20.73	20.74	20.80	20.67
Aug	20.79	20.80	20.84	20.72
Sep	20.81	20.83	20.83	20.74
Oct	20.80	20.84	20.81	20.76
Nov	20.80	20.84	20.79	20.73
Dec	20.79	20.83	20.83	20.74
Jan	20.76	20.80	20.79	20.75
Feb	20.73	20.78	20.77	20.77

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	56.30	55.52	56.70	56.10
Jun	56.30	56.37	56.60	56.05
Jul	56.50	56.59	56.80	56.40
Aug	57.15	57.14	57.20	56.95
Sep	58.10	58.09	58.10	58.10
Oct	59.04	59.04	0	0
Nov	59.92	59.92	0	0
Dec	60.80	60.78	60.90	60.65
Jan	61.20	61.23	61.20	61.20
Feb	61.03	61.03	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	948	939	953	937
Jul	976	968	983	966
Sep	1003	995	1006	994
Dec	1033	1025	1040	1028
Mar	1067	1059	1061	1058
May	1083	1081	0	0
Jul	1118	1104	0	0
Sep	1138	1126	1130	1130
Dec	1168	1156	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	54.50	53.55	54.80	53.65
Jul	56.30	55.40	56.50	55.40
Sep	58.10	57.10	58.30	57.25
Dec	60.90	59.75	61.00	59.90
Mar	63.15	62.15	63.50	62.40
May	65.00	63.85	65.00	65.00
Jul	66.75	65.50	66.75	66.50
Sep	68.50	67.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	10.85	10.73	10.91	10.71
Jul	11.40	11.20	11.44	11.25
Oct	11.21	10.94	11.23	11.02
Mar	10.52	10.30	10.58	10.38
May	10.49	10.27	10.55	10.43
Jul	10.50	10.40	10.45	10.45

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	61.16	61.85	61.75	60.90
Jul	62.00	62.73	62.50	61.80
Oct	62.50	62.66	62.80	62.35
Dec	61.85	62.19	62.10	61.70
Mar	62.97	63.22	0	0
May	63.52	63.72	63.60	63.60
Jul	63.97	64.05	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	94.25	95.05	95.60	92.60
Jul	97.00	97.90	98.60	95.50
Sep	100.00	100.60	101.05	98.60
Nov	101.90	102.25	102.60	101.75
Jan	103.95	104.40	104.30	103.75
Mar	106.00	106.35	106.10	106.00
May	106.00	106.35	0	0
Jul	106.00	106.35	0	0
Sep	106.00	106.35	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Apr.13	Apr 8	mnth ago	yr ago
1663.3	1672.3	1778.4	1609.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr.12	Apr 8	mnth ago	yr ago
Spot	121.78	-	123.54	115.92
Futures	124.55	-	126.15	119.37

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	596/2	597/2	597/0	593/0
Jul	600/0	602/4	602/2	597/4
Aug	602/6	606/2	604/4	600/4
Sep	604/0	606/6	606/0	602/0
Nov	609/2	611/4	611/2	607/0
Jan	615/4	618/0	617/4	614/0
Mar	622/6	625/2	624/0	621/4
May	626/4	629/0	627/4	625/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	21.39	21.42	21.51	21.28
Jul	21.66	21.66	21.78	21.51
Aug	21.77	21.76	21.86	21.66
Sep	21.88	21.87	21.96	21.77
Oct	21.96	21.95	22.06	21.88
Dec	22.16	22.16	22.30	22.05
Jan	22.18	22.22	22.30	22.13
Mar	22.35	22.45	22.45	22.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	186.0	186.4	186.2	185.5
Jul	187.7	188.1	187.9	187.2
Aug	188.6	189.1	188.8	188.3
Sep	189.6	190.3	189.6	189.3
Oct	190.6	191.3	190.8	190.4
Dec	192.7	193.5	193.3	192.5
Jan	193.2	194.0	193.5	193.1
Mar	194.0	194.7	194.3	194.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	233/0	233/0	233/4	232/4
Jul	239/0	239/0	239/4	238/2
Sep	243/2	243/4	244/0	243/0
Dec	249/2	249/2	250/0	248/6
Mar	256/6	256/0	256/2	255/2
May	259/4	260/0	260/0	259/4
Jul	263/0	263/0	263/0	262/2
Dec	253/4	254/4	255/0	253/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	351/2	350/4	353/0	349/4
Jul	315/4	314/2	316/2	313/6
Sep	317/6	317/4	319/4	316/4
Dec	327/0	327/0	329/0	326/4
Mar	332/0	330/0	332/0	331/0
Jul	320/4	320/0	321/0	320/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	82.275	81.850	82.425	82.000
Jun	76.500	76.425	76.725	76.275
Aug	73.050	72.800	73.175	72.850
Oct	73.775	73.725	73.900	73.700
Dec	73.825	73.825	73.900	73.700
Feb	73.150	73.125	73.350	73.150
Apr	74.400	74.400	74.400	74.200

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	47.175	47.550	47.625	47.050
Jun	53.700	53.750	53.975	53.300
Jul	52.625	52.775	53.050	52.400
Aug	49.850	49.850	50.250	49.650
Oct	44.475	44.650	44.850	44.375
Dec	45.300	45.350	45.550	45.250
Feb	45.425	45.550	45.425	45.350
Apr	44.250	44.250	44.250	44.225

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	50.975	51.200	51.750	50.575
Jul	51.500	51.925	52.100	51.050
Aug	48.500	48.375	48.900	48.050
Feb	43.250	42.825	43.800	42.700
Mar	42.500	42.000	42.500	0

LONDON STOCK EXCHANGE

Equities rally as pound strengthens

By Steve Thompson

IMPRESSIVE performances from most of the world's bigger stock markets plus a strong showing by sterling and and an improving outlook for international interest rates brought a halt to six consecutive downside trading sessions on London's equity market. Vague suggestions that a *predator* could be constructing a sizeable takeover bid helped sentiment in some of the so-called bid targets.

Adding to a generally optimistic mood in London was an exceptionally *strong performance* by companies heavily involved in Hong Kong after it was announced that the UK and Chinese governments are to resume talks on April 13 about the colony's elections scheduled for 1994/5.

The only disappointing aspect of an otherwise positive day on the London market was the low level of actual business transacted as the market moved back into action after the long Easter holiday break.

The FT-SE 100 index closed the session at 2,846.8, clawing back 25 points of the 56.6 it had fallen over the previous six trading days. Another highlight of the session was the outperformance by the 100-share index of the FT-SE Mid 250 index which closed only 17 points up at 3,101.3.

The performances by the Wall Street and Tokyo markets during London's closure over the holiday period ensured that London would open on a positive note. Wall Street's 31-point rise on Monday and a much needed rally in the US bond market after better than expected inflation news at the end of last week, were viewed by London dealers as real boosters to market confidence. So,too, was the £79bn package unveiled by the Japanese government designed to kick-start the Japanese economy.

The Footsie 100 index opened more than two points higher and progressed smoothly to reach the day's high, up 26.2 at 2,848.0, ahead of the opening of Wall Street. Sterling's latest rise plus a reduction in one of the French interest rate instruments prompted renewed talk that a cut in German interest rates, and possibly another reduction in UK rates, may not be too far away.

The latest UK economic data – producer price figures for March – announced in mid-morning was much in line with estimates and had little impact on the market. This morning will see the official figures on industrial output for February while inflation figures for March are scheduled for Friday. A near 20-point jump on Wall Street shortly after the opening failed to produce fireworks in London and the Footsie 100 index, after reaching the day's high, moved narrowly for the rest of the session.

There were, however, a number of poor performing areas of the market with the recently bruised and battered drug sector worst hit. A bearish report on Glaxo in one of the leading US newspapers saw the shares retreat further with matters hardly helped by news that US investors have been continuing to lighten their holdings.

Water stocks, among the market's best performers over the past year, were upset by press comment.

Dealers were relieved at the extent of the market's rally yesterday, but pointed out that the Footsie was due for a substantial rise against a backdrop of very positive news.

Turnover, always expected to be low, was 419.5m shares. The value of customer business on *Thursday was £1.06bn.*

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Mar 29	Apr 19	May 10
Option Declarations:		
Apr 15	May 6	May 20
Last Dealings:		
Apr 16	May 7	May 21
Account Day:		
Apr 26	May 17	Jun 1

*New time dealings may take place from 8.30am two business days earlier.

Glaxo hit by US sellers

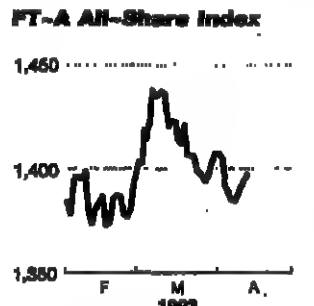
NEGATIVE remarks from a leading US fund manager over the outlook for Glaxo, published on Monday in a Wall Street financial newspaper, sent shares in the UK pharmaceutical group into reverse and renewed worries over the future of its leading drug, Zantac.

In the article, the fund manager suggested that Glaxo's reliance on its anti-ulcer product – which supplies nearly half of group profits – was worrying given the threat of competition, recent regulatory concerns and the lack of other lines coming through for development. A 40 per cent fall in Glaxo's ADR price was predicted in the article.

The reaction of UK drugs analysts was more sanguine. Mr Andrew Porter at Nikko said that the article was further evidence of the anxiety among the US investment community over President Clinton's plans for drug prices, yet to be announced. "Today's fall has been overdone," he said, "and represents an excellent opportunity to get into the stock." The shares fell 19 to 553p in turnover of 8.4m, the most heavily traded stock of the day.

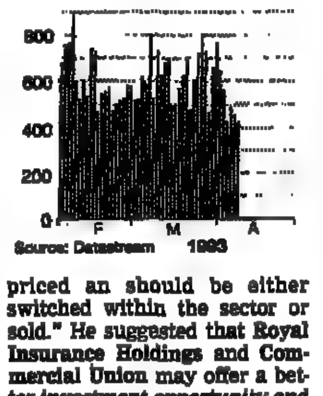
It was announced yesterday that the number of shares held by US investors has fallen by almost 1 per cent since last November, down from 23.8 per cent to a current level of 22.95 per cent, or 695m shares.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



HK lift for C&W

The news that talks were to resume between the UK and Chinese authorities over the future of Hong Kong sent related shares sharply forward on the London market yesterday. Among the best performers was Cable and Wireless, helped also by a weighty tome from Hoare Govett and a positive note from NatWest Securities. The shares jumped 17 to 747p in turnover of 2.9m.

Hoare's predicts earnings growth of 16 per cent per annum between now and 1996-7, while productivity and efficiency improvements are forecast to add £50m to annual profits. The securities house also draws attention to the growth potential for Hong Kong Telecom in the Pacific Rim. In reiterating its positive stance, NatWest also drew attention to C&W's low relative weighting due to weakness in the first quarter as Hong *Kong worries overhung the* stock.

Elsewhere, HSBC climbed 13 to 623p, Standard Chartered 11 to 709p and Inchcape 5 to 601p.

Forte gloom

Continued speculation of a dividend cut at Forte, which is due to announce full-year results tomorrow, weakened the shares. They closed 2 adrift at 181p. There were also renewed rumblings over a possible rights issue to reduce the hotel group's high debt, although most leisure specialists believe it is likely to happen until later in the year.

However, further evidence of how gloomy the market has become over the short-term prospects for the stock was seen in the traded options market where one leading securities house bought put options suggesting that Forte's shares will be below yesterday's closing price *in two months time.*

Among banks, participation in the BT3 sale continued to boost SG Warburg and the shares improved 9 to 658p. Merchant bank Hambros gained 7 to 331p, with dealers focusing on the improved prospects for Hambro Countrywide which may benefit from the recovering housing market.

The composite insurers were carried by the strong market trend with a sell recommendation on Sun Alliance the only noteable feature. Mr David Nisbet at NatWest Securities believes the "shares are overpriced an should be either switched within the sector or sold." He suggested that Royal Insurance Holdings and Commercial Union may offer a better investment opportunity and dealers reported switching activity during the course of the day. Sun Alliance closed at 349p xd. Royal hardened a penny to 307p, while CU advanced 17 to 628p. Also *wanted was General Accident* up 19 at 613p.

A detailed research note from Hoare Govett on Granada Group helped the shares gain 2 to 395p. Analyst Mr Hamish Dickson argued that Granada was one of the *few* companies that offered investors the opportunity to "deliver two to three years of significant earnings growth regardless of whether or not the UK economy improves." He believes the shares have an upside of 450p.

International drinks stocks were lifted by a combination of confidence over UK, European and Japanese recovery. Allied Lyons gained 10 to 562p, Grand Metropolitan 5 to 428p and Guinness 15 to 482p.

Water stocks were among the worst performers in the market as broker advice and press comment drew attention to the sector's relative high rating. This combined with the shift of mood away from defensive and into recovery stocks sent the shares down. Kleinwort Benson was among those advising clients to "reduce holdings" in the sector. Anglian declined 8 to 538p, Thames 6 to 550p and Wessex 3 to 638p.

Oil shares substantially underperformed the rest of the UK market despite big gains in oil shares on Wall Street overnight. The strength of sterling was put forward as one of the prime restraining factors.

BP settled marginally easier ar 304½p after relatively good turnover of 6.9m with the market still reacting to last week's hints that the company's latest well in Colombia has proved dry.

Vodafone Group resisted the mood in a positive telecoms sector, the shares standing steady at 388p. Smith New Court revised its profits forecasts, shaving £5m from this year's to £320m and moving to £350m the year after. The securities house blames increased start-up costs overseas for the cut.

Bargain hunters were seen in BAT helping the shares gain 13 to 900p. Also in demand were Williams Holdings and Tomkins. *The former gained 8* to 335p, while the latter finished 9 better at 253p.

The recent overhang of stock in Siebe appeared to have been cleared leaving the shares to move strongly ahead. An in*itial retreat gave way to good* buying and a squeeze was later seen. The shares closed 15 better at 465p, with volume having reached 1.6m.

Continued speculation that British Aerospace will soon announce a £500m order for Hawk aircraft from Indonesia helped the shares finish 5 up at 278p. TI Group added 5 to 310p, boosted by a buy recommendation from BZW.

Favourable weekend press comment on VSEL saw the shares jump 15 to 650p.

Dividend hunters sought out Booker, shares in the food manufacturing and distribution group bounding forward 11 to 382p. Unilever rebounded from last week's downgradings, the shares closing 11 ahead at 1126p.

Food retailers, shunned by investors in recent weeks on price war fears, also caught the recovery mood. Asda added 1½ to 67½p, with Robert Flemings *suggesting that the company's* new format stores will produce good trading news.

Elsewhere, J Sainsbury lifted 14 to 472p, while Tesco rose 5 to 230p.

DIY stocks initially bounded forward but faded as talk was heard that reports of strong sales had been overdone. Do It All owner WH Smith slipped 3 to 420p, while B&Q owner Kingfisher was held to a rise of 5 to 590p. Ladbroke, owner of Texas, added 3 to 175p.

In the transport sector, UK airports operator BAA revealed a 6.2 per cent year on year improvement in March passenger traffic. The shares closed 10 better at 798p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

■ Other market statistics, Page 24

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (129). BRITISH FUNDS (3) Treas. 8pc 2013 (£50 Pd), Consols 2½pc, Consols 4pc, OTHER FIXED INTEREST (5) African Dev. Bank 11¼pc Ln. 2010, Asian Dev. Bank 10¼pc Ln. 2009, Hydro Quebec 15pc 2011, Ireland 9pc Cap. Ln. 1996, Do. 8¾pc Ln. 2010, CANADIANS (1) Gulf Canada, BANKS (2) Allied Irish, Tokai ... Alexander & Alexander, Sedgwick, INV TRUSTS (2) Gartmore Scotland Zero Div. Pf., JF Indonesia Warrants, MEDIA (2) Radio Clyde, Southern Radio, MISC (2) LIDO, Waste Man. Intl., MOTORS (1) Lucas, OTHER INDLS (2) Morgan Crucible, Do. 7½pc Pf., PROP (1) Haring Baker Harris, STORES (1) Oriflame Intl., TELE NETWORKS (4) Nth. Telecom, Securicor, Do. A, Security Services, SOUTH AFRICANS (1) Tiger Oats, MINES (1) Pasminco.

FINANCIAL TIMES EQUITY INDICES

Volume	April 13	April 8	April 7	April 6	April 5	Year ago
SEAQ Bargains	28,120	24,195	25,369	35,599	39,627	64,444
Equity Turnover(£m)†	-	1062.6	1141.1	1127.5	1051.0	2597.9
Equity Bargains†	-	28,774	31,573	45,313	48,798	68,937
Shares traded (mil)†	-	426.1	460.4	492.0	434.3	1077.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2846.8 +25.0	3101.3 +17.0	1395.73 +10.75

	Apr 13	Day's change %	Apr 8	Apr 7	Apr 6	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2846.8	+0.9	2821.6	2822.1	2832.2	2600.5	6.34	4.01	20.14	32.21
FT-SE Mid 250	3101.3	+0.6	3084.3	3083.7	3087.4	2576.9	6.68	3.77	18.93	21.69
FT-SE-A 350	1412.6	+0.8	1401.2	1401.2	1405.5	1264.5	6.41	3.96	19.86	14.64
FT-SE SmallCap	1544.36	+0.3	1539.20	1538.07	[illegible]	-	4.93	3.73	29.02	12.23
FT-SE SmallCap ex Inv Trusts	1550.97	+0.3	1546.64	1545.28	1550.07	-	5.48	3.96	26.91	12.16
FT-A ALL-SHARE	1395.73	+0.8	1384.98	1385.01	1389.20	1248.82	6.32	3.94	20.25	14.26
1 CAPITAL GOODS(213)	953.32	+0.9	945.26	942.30	944.02	848.72	5.64	4.05	23.28	9.61
2 Building Materials(27)	976.75	+0.8	969.27	961.79	955.98	1070.32	5.32	5.07	26.67	4.85
3 Contracting, Construction(29)	870.62	+1.4	858.73	847.75	839.12	967.63	3.15	3.80	80.00†	7.01
4 Electricals(15)	2683.67	+0.8	2663.22	2700.24	2706.92	2490.41	5.57	5.03	22.82	19.67
5 Electronics(37)	[illegible]	+0.4	2670.82	2671.94	2647.50	1853.17	5.90	2.98	21.42	18.20
6 Engineering-Aerospace(7)	344.02	+1.4	339.22	339.17	340.17	371.34	5.97	4.17	22.24	3.19
7 Engineering-General(51)	551.74	+1.1	545.78	542.44	542.35	509.83	7.06	3.84	18.06	5.61
8 Metals & Metal Forming(11)	382.45	+2.2	374.11	366.00	369.54	330.13	4.54	3.22	32.03	0.66

EQUITY FUTURES AND OPTIONS TRADING

HOPES of further reductions in interest rates and a feeling that the UK economic recovery was at last on the way *together led to an* active day derivatives trading, writes Joel Kibazo.

In futures, the strong opening in dealings in the June contract on the FT-SE 100 at 2,846 – some 11 points above its close last Thursday – was clear evidence of the positive mood in the market.

The contract advanced steadily throughout the morning, pulling the underlying equity market higher along the way, though turnover remained thin. By 12.30pm the June contract was trading at the day's high of 2,870.

A period of sideways trading then followed but the June contract continued to trade at the higher levels boosted by the firm opening on Wall Street but a slight bout of profit-taking was seen towards *the close.*

The June contract finished at 2,865, up 34 on its previous close and around 9 points above its fair value premium to cash of about 11. Turnover was poor with a mere 6,328 lots dealt by the close.

In traded options, volume reached 29,715 lots, with 8,512 contracts of that total dealt in the FT-SE 100 option, and 5,071 lots in the Euro FT-SE 100 option.

Among stock options, Glaxo was the most active with a day's total of 2,437 trades. It was followed by J Sainsbury at 1,596.

LONDON SHARE SERVICE

BRITISH FUNDS

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		16¼xd	—	20¼	15½	13,608	2.9
Allegheny & W	♥	310p	+3	671p	399p	288.1	4.0
Amdahl		385p	-26	591p	385p	432.4	1.8
Amer Cyanamid		31⅝	-1	38⅝	31⅝	2,873	3.6
Amer Express		18⅜xd	-⅜	19½	14⅞	8,933	3.7
Amer T & T		38½xd	+⅛	40⅞	33⅛	51,200	2.4
Ameritech		49⅝	-1⅝	52¼	45	21,618	5.1
BankAmerica		33⅝xd	—	38¼	28⅛	11,584	2.9
Bankers NY		47¼xd	—	51⅛	42⅝	3,792	4.5
Bell Atlantic		35	-1¼	38⅛	32¼	15,151	5.3
BellSouth		35½	-1¼	39⅜	33½	17,623	[illegible]
Bethlehem Steel	♥	11¼xd	—	13¼	10	[illegible]	[illegible]
Bowater		1437pxd	-20	1682p	1335p	820.7	[illegible]
CPC		28xd	—	34⅝	28	4,241	3.1
Cadiz Land Inc	♥	78p	—	115p	70p	—	—
California Engy		1405p	—	1479p	1088p	235.8	—
Chase Manhattan		23⅝xd	+⅛	24½	17⅜	3,839	3.5
Chrysler		27⅛xd	-¼	28⅞	21⅛	7,961	1.5
Citicorp		19⅛xd	+⅛	20⅛	13⅛	7,105	—
Colgate-Palm		39½xd	—	45⅞	35¼	6,306	2.2
Cont'l Bank		1728p	-11	1877p	1278p	1,744	2.4
Dana		30⅛xd	—	34⅛	29½	1,387	3.7
Data General		715p	-25	951p	710p	197.3	—
Decora Inds	♥	128p	—	148p	126p	—	—
Dun & Brad		37¼	-1¼	42⅞	37¼	6,636	4.2
Eaton		55⅜	-⅜	69⅞	50⅞	1,832	2.7
Echlin		[illegible]xd	-⅛	18⅞	15⅛	982.7	3.1
FPL		24⅛xd	-½	27⅜	23¼	4,382	7.1
Ford Motor		35½	-⅜	35⅞	28⅞	17,339	1.9
Gen Elect		58⅜xd	-½	61¼	53⅜	51,185	2.9
General Host	♥	613p	-18	723p	573p	—	4.0
Gillette		36¼xd	-⅛	42⅞	35⅛	7,993	1.4
Hasbro		20⅞	—	20⅞	20⅞	1,815	0.8
Honeywell		21½xd	-⅛	24⅝	20⅛	2,958	2.8
Houston Inds		31⅛	—	[illegible]	[illegible]	4,031	6.6
IBM		32⅜	-1⅜	39¼	29⅝	18,688	4.5
Ingersoll-Rand		19⅜xd	-⅛	25	19⅜	2,058	2.4
Lockheed		40⅛	-1⅛	42⅞	35⅛	2,469	3.6
Lowe's	h	2831p	-125	[illegible]	[illegible]	1,481	0.9
Merrill Lynch		46⅛xd	+⅜	50⅛	37	4,746	1.8
Morgan (JP)		45½xd	+1⅛	48½	38⅛	8,687	3.6
Morris (Philip)		30⅛xd	-⅜	52⅝	30⅛	27,883	4.0
NYNEX		57⅞	-1¼	64⅛	54¼	11,933	5.5
Pall		11½xd	-⅛	15	11	1,331	1.9
Pennzoil		37⅞xd	-1⅛	49¼	31½	1,517	5.5
Quaker Oats		40¼xd	-⅜	48⅛	40⅞	2,938	3.2
Rockwell		20⅜xd	-⅛	21⅛	18⅞	4,537	3.1
Rep NY		[illegible]	-⅛	37⅞	30⅛	1,740	2.2
Sears, Roebuck		34⅛xd	+⅛	37⅞	28⅞	11,847	3.2
Sthwestern Bell		49	-1⅛	52⅝	46⅛	14,682	4.1
Sun Co		15½xd	-⅛	21⅛	15½	1,647	8.0
Tenneco		29⅛xd	-⅛	33¼	25½	3,735	3.8
Texaco		41⅜	-⅞	44¼	37⅛	16,769	5.3
Time Warner	h	21⅛xd	+⅛	25⅛	18⅝	[illegible]	0.9
Unitab	♥	379p	—	458p	379p	[illegible]	—
US West		27⅝	-1⅛	30¼	24⅛	[illegible]	5.3
Varity		2183p	-65	2380p	1685p	635.9	—
Waste Manage		19⅛xd	-⅜	27⅞	19⅛	9,657	1.8
Whirlpool		3484pxd	-30	3728p	2824p	2,435	2.2
Woolworth	♥	19⅞	-⅛	21½	18⅞	2,588	3.9

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† *Not officially UK listed; dealings permitted under Rule 535(2)*
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ *Unregulated collective investment scheme.*

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield *excludes a special* payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
y Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE:

OFFER PRICE:

BID PRICE:

CANCELLATION PRICE:

TIME:

HISTORIC PRICING:

FORWARD PRICING:

SCHEME PARTICULARS AND REPORTS:

FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,

Centre Point,

103 New Oxford Street, London WC1A 1QH

Tel: 071-379-0444.

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Bid Price	Offer Price	+ or -	Yield Gross
Prolific Life & Pensions Ltd				
Shramongate, Kendall, Cumbria LA9 4UB 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Adventurous Mngd.	164.5	175.1		-
Balanced Grwth Mngd.	680.5	724.0		-
Cautious Mngd.	129.1	137.4		-
Cash Fd.	319.9	337.1		-
Property Fund	217.6	231.5		-
Gilt Fund 20	451.5	480.4		-
Equity Fund	776.0	825.6		-
Fxd. Int. Fund	421.9	444.6		-
International	348.7	371.0		-
High Income	615.8	655.2		-
Technology	428.1	455.5		-
North American	450.0	488.4		-
Far East	466.2	499.0		-
Special Sits.	549.3	584.4		-
Extra Inc Fd.	330.7	351.9		-
American Income	187.1	199.1		-
Convertible & Gilt Fd.	158.5	168.7		-
European Fund	126.3	138.1		-
Pref & Fixed Int.	115.5	122.9		-
UK Blue Chip	117.9	124.3		-
Recovery Fund	121.1	127.7		-
Equity Income Dist.	108.8	115.8		5.07
Managed Dist.	103.5	110.2		6.79
High Yield Dist.	104.8	110.3		7.80
Pension Funds				
Adventurous Mgd Pens Acc.	175.4	184.7		-
Balncd Gth Mgd Pens Acc.	797.3	839.3		-
Cautious Mngd Pens Acc.	149.6	157.5		-
Building Soc. Acc.	369.6	389.3		-
Property Pens. Acc.	297.3	313.0		-
Fx. Int. Pens. Acc.	673.5	709.0		-
Equity Pens. Acc.	1022.6	1076.6		-
International Pens Acc.	328.4	345.6		-
High Inc Pens Acc.	691.5	727.9		-
Tech Pens Acc.	300.1	315.9		-
N American Pens Acc.	352.7	371.3		-
Far Eastern Pens Acc.	473.3	498.9		-
Special Sits Pens Acc.	449.7	473.4		-
Extra Income Pens Fd.	405.3	426.7		-
American Inc Pens.	216.6	228.1		-
Convertible & Gilt Pen.	193.8	204.0		-
European Pens.	142.4	149.2		-
Managed Cash Pens.	174.1	183.3		-

	Bid Price	Offer Price	+ or -	Yield Gross
Reliance Mutual				
Reliance House, Tunbridge Wells, Kent 0892 510033				
Deposit Acc Fd.	170.1	179.0	+0.1	-
Equity Acc Fd.	411.7	433.3	+1.2	-
Managed Acc Fd.	364.7	383.9	—	-
Prop Fd (1st Issue)	-	692.6	—	-
Prop Acc Fd (2nd Iss).	128.6	135.4	—	-
Trust Mngd Fd.	160.4	168.9	—	-
RL Pension Funds				
Deposit Acc.	248.4	261.5	+0.2	-
Equity Acc.	309.7	326.0	+1.2	-
Fixed Int Acc.	285.6	299.0	—	-
Gilt Indx Lnk Acc.	194.9	205.1	—	-
Managed Acc.	410.3	431.9	—	-
J Rothschild Assurance PLC				
J Rothschild House, Dollar Street, Cirencester				
Telephone: 0285 640302 Helpline: 0**-*** ****				
Life Funds				
Income Distribution	96.6	101.7	—	-
JRA/M&G Managed	120.0	126.4	-0.10	-
JRA/Scottish Amicable Mngd.	116.3	122.5	+0.10	-
JRA/SJ James's Place Mngd.	129.8	136.7	+0.90	-
Deposit	100.7	106.1	—	-
Far East	127.2	133.9	+0.90	-
Gilts	110.0	115.8	-0.70	-
Greater European	115.7	121.8	-0.10	-
North American	130.4	137.3	-1.30	-
UK Equity	120.0	126.4	-0.30	-
Pension Funds				
JRA/M&G Managed cap.	118.7	125.0	+0.10	-
JRA/M&G Managed acc.	123.7	130.3	+0.10	-
JRA/Scottish Amicable Mngd cap.	116.1	122.3	—	-
JRA/Scottish Amicable Mngd acc.	121.1	127.5	—	-
JRA/SJ James's Pl Mngd cap.	136.8	144.1	+0.80	-
JRA/SJ James's Pl Mngd Acc.	142.6	150.2	+0.90	-
Deposit cap.	100.6	105.9	+0.10	-
Deposit acc.	104.8	110.4	+0.10	-
Far East cap.	124.4	131.0	+1.10	-
Far East acc.	129.7	136.6	+1.20	-
Gilts cap.	108.4	114.2	+0.40	-
Gilts acc.	113.0	119.0	+0.40	-
Greater European cap.	117.1	123.3	—	-
Greater European acc.	122.0	128.5	—	-
North American cap.	125.9	132.6	-1.30	-
North American acc.	131.3	138.3	-1.20	-
UK Equity cap.	120.5	[illegible]	[illegible]	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED(**))

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED(**))

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED(**))

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Bid Price	Offer Price	+ or -	Yield Gross
B & H Fund Managers Ltd				
LFM Sterling Fd.	£11.43	11.92	—	-
B.F. Offshore Inc Fd Ltd	£12.21	12.73	—	-
YMC Offshore Fd.	£9.87	10.48	—	-
[illegible]	£12.04	12.34	—	-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36433						
AIB Currency Funds Ltd						
Intl Managed Bond	5		[illegible] 22.7574	22.7865	—	-
Managed Capital Gs	6		[illegible] 22.7865	22.8075	—	-
AIB Sterling Currency Fund Limited						
Stg Mngd Currency	5		£-	11.1848	—	-
Sterling Currency Fd	8		£-	10.7358	—	-
Ecu Currency	5		Ecu-	11.1918	—	-
US Dollar Mngd Curr	5		$-	22.1988	—	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67855						
Equity Funds						
Australian Eq (Inc)	5¼	£1.037	1.041	1.113	-0.001	0.9
Global Income (Inc)	5¼	£0.547	0.554	0.592	-0.003	2.2
Global Resources	5¼	£0.448	0.452	0.483	-0.006	0.7
Currency Funds						
Stg Premium Income		£10.07		10.08xd	—	5.1
Sterling			£-	23.96		5.0
US Dollar			$-	32.88	+0.01	5.0
Deutschemark			DM-	62.12	+0.01	1.8
Yen			Y-	4243	+0.06	7.2
Managed Multicurrency			£-	15.11	15.86	3.0

	Bid Price	Offer Price	+ or -	Yield Gross
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.9906	4.2411	—	-
Offshore Japanese Gwth Fd	$1.1722	1.2458	—	-
Offshore Am Gwth Fd	$6.6246	7.0402	—	-
Offshore Emerging Cos	$4.4094	4.6858	—	-
Offshore European Fd	$1.6769	1.7790	—	-
[illegible]	$0.9485	1.0080	—	-
Offshore Global Bond	$1.0229	1.0656	—	-
Offshore Global Bond Acc	$1.0729	1.0858	—	-
Offshore Far Estrn Fd	$2.8929	3.0742	—	-
Offshore UK Growth Fd	$2.1914	2.3289	—	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Apr 2		$4.41	—	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£18.38	18.63	—	1.43
LFM Defensive Strtgy	£12.49	13.17	—	-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int pot	100.70	101.80	+0.10	8.78
International Bond (x)†	$1.150	1.187	+0.3	5.14
†Prices on Apr 7 Next dealing Apr 14.				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling		£37.1733	—	6.11
US $		$49.0281	—	1.82
D-Mark		DM85.2788	—	7.37
Swiss Franc		SFr78.5205	—	3.78
Yen		Y5185.41	—	2.09
Scimitar Worldwide Money Fund Ltd				
Sterling		£20.0438	+0.0187	6.18
US $		$37.5129	+0.0125	2.48
D-Mark		DM82.3124	+0.0277	7.32
Swiss Franc		SFr60.6109	+0.0437	5.36
Japanese Yen		Y7737.0175	[illegible]	[illegible]

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

$ slides on poor sales data

DISAPPOINTING retail sales figures from the US imposed further pressure on an already ailing US dollar, which was weaker across the board yesterday, and suffered a sharp fall against the D-Mark, *writes Peter John*.

Economists had expected the March sales figures to be poor but had, nevertheless, anticipated a slight rise. When the news broke that they had actually fallen by one per cent against the previous month the dollar tumbled through the DM1.5850 level.

This followed last week's poorly received CPI figures and led to a wave of heavy, computer generated stop-loss selling.

However, there was some comment that the reaction was overdone. Mr Nick Parsons an economist with the Canadian Imperial Bank of Commerce said: "Everyone is worried about the US recovery but the US has a recovery rate that Europe would kill for."

Dealers said volumes were low and they expected the dollar to bounce back before being hit again and falling, according to some, as low as DM1.52. The dollar closed at DM1.5790 down from DFM1.6070 previously.

The Yen was strong again, although held back by intervention from the Bank of Japan. The Japanese currency was boosted by news of a Y13.2 trillion economic stimulation package announced by the Liberal Democratic Party. The extent of package, which still has to be ratified by the government, was generally predicted and the Yen closed in London only marginally higher against the dollar at Y113.35.

Meanwhile, sterling performed well in early sessions hitting DM2.4725 at best as sentiment was buoyed by a growing feeling that the economy is on the turn while Germany is heading for what could be its worst recession since the Second World War.

Mr Neil MacKinnon, the chief economist at Citibank, believes the only black spot on the horizon is the worsening trade gap and, with good fundamentals in place, the pound is set to break through DM2.50 in the short-term and hit DM2.65 within the next 12 months. Sterling closed at DM2.4625, up from DM2.4500 previously.

The franc was unaffected by news of a two-per cent cut in the upper limit emergency lending rate. The cut underlines growing economic confidence in France but merely brings the emergency rate in line with overnight lending. The currency strengthened to FFr3.3800 against the D-Mark from FFr3.3855.

Elsewhere in Europe, the peseta and escudo were both under pressure. The Spanish currency was affected by the decision of Mr Felipe Gonzalez, the prime minister, to call a general election five months early. It eased to Pta72.11 against the D-Mark, down from Pta71.61.

The Bank of Portugal intervening to support the escudo which nevertheless fell to Es93.16 against the D-Mark from Es92.97.

$ IN NEW YORK

Apr.13	Latest	Previous Close
£ Spot	1.5555 - 1.5565	1.5460 1.5470
1 month	0.38 - 0.36pm	0.35 0.34pm
3 months	1.03 - 1.00pm	1.01 0.99pm
12 months	3.42 - 3.32pm	3.33 3.27pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 13	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Irish Punt	0.809996	0.796482	-1.67	2.24	92
Spanish Peseta	142.150	140.485	-1.17	1.75	21
Belgian Franc	40.2802	40.0830	-0.49	1.03	18
Dutch Guilder	2.20045	2.18836	-0.55	1.09	13
D-Mark	1.95294	1.94717	-0.30	0.83	1
Portuguese Escudo	180.624	181.026	0.22	0.31	-4
Danish Krone	7.44934	7.47531	0.35	0.19	-29
French Franc	6.54988	6.58494	0.54	0.00	-46

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

STERLING INDEX

POUND SPOT - FORWARD AGAINST THE POUND

CURRENCY RATES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Apr.13	£	$	DM	Yen	F Fr.	S Fr.	H Fl.
£	1	1.559	2.463	176.8	8.325	2.253	2.765
$	0.641	1	1.580	113.4	5.340	1.445	1.774
DM	0.406	0.633	1	71.78	3.380	0.915	1.123
YEN	5.656	8.818	13.93	1000.	47.09	12.74	15.64
F Fr.	1.201	1.873	2.959	212.4	10.	2.706	3.321
S Fr.	0.444	0.692	1.093	78.47	3.695	1	1.227
H Fl.	0.362	0.564	0.891	63.94	3.011	0.815	1
Lira	0.421	0.656	1.037	74.44	3.505	0.948	1.164
C $	0.509	0.793	1.253	89.97	4.237	1.147	1.407
B Fr.	1.978	3.084	4.872	349.8	16.47	4.457	5.470
Pta	0.583	0.878	1.387	99.56	4.688	1.269	1.557
Ecu	0.791	1.232	1.947	139.8	6.581	1.781	2.186

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls May	Calls June	Calls September	Puts May	Puts June	Puts September
115	-	-	3.53	-	0.05	0.36
116	-	2.34	2.78	0.02	0.11	0.57
117	-	1.50	2.08	0.06	0.25	-
118	0.46	0.83	1.44	0.23	0.56	1.20
119	0.14	0.33	1.02	-	-	-
Open int	21,042	183,235	95,699	11,517	131,974	90,929

Estimated volume 89,128 † Total Open Interest 612,903

† All Yield & Open interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Futures tightly traded

SEVERAL small pieces of positive economic news failed to break through the post-holiday lethargy yesterday and both the money and financial futures markets generated scant enthusiasm, *writes Peter John*.

An announcement that the French upper-limit emergency lending rate was to be cut by two percentage points to 10 per cent prompted some buying of Pibor futures.

However, dealers soon appreciated that the rate was so far out of line with the overnight lending rate that the cut made little difference. In spite of an optimistic statement from Mr Edmond Alphandery, the new economics minister, predicting further interest rate falls, the contract for June delivery settled unchanged at 91.81 on low turnover.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The news from France gave heart to some of the perennial optimists banking on the Bundesbank to produce a rate cut with more substance than what has been described as the "salami-slicing" of recent months. The Euromark contract for June was bought up three basis points to a high of 92.91 but the sceptics prevailed and it settled slightly down on the day.

Finally, in the UK, a stronger pound combined with economic data to signal that underlying inflationary pressures might remain distant for some time. However neither pointer was strong enough to take short sterling anywhere but the doldrums and the June contract settled three basis points lower at 92.84 on desultory turnover of less than 10,000 contracts.

Dealing in the money markets was also gentle with an end to the large shortages forecast last week. The Bank of England forecast an early shortage of £250m, later revised to around £350m, of which £215m was taken up.

● German call money firmed to 8.25/30 per cent, up sharply from Thursday's 8.10/20 per cent as tax payments drained liquidity from the banking system.

Traders said they expected the Bundesbank to relieve the upward pressure by allocating DM78bn to DM84bn marks in this week's repo tender, thus adding DM4bn to DM10bn in funds to the market. They see the minimum allocated rate easing to 8.10 per cent from 8.13 per cent. Reserves on deposit with the Bundesbank rose to DM60.1bn from DM56.3bn on Monday, bringing the average to DM56.8bn for the first six days of April.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

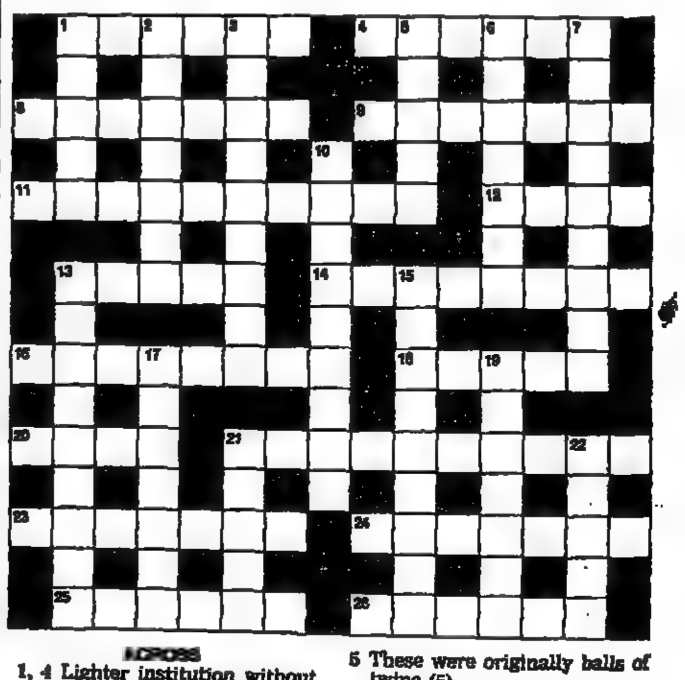
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,125 Set by CINEPHILE



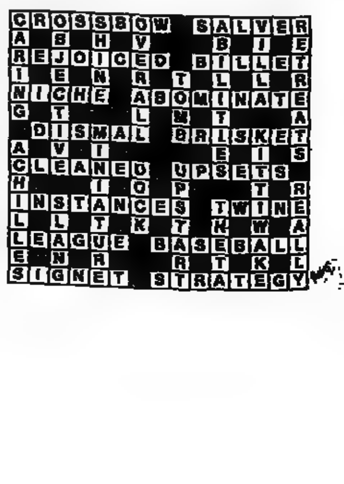
ACROSS

1, 4 Lighter institution without borders provides religious instruction (6,6)
8, 9 Pipe work, perhaps, from Bob Webb, ill sung (7,7)
11 Senior common room of university, endlessly infested and infected (10)
12, 13 Alter disposition of back cooker? (9)
14 Married outside bowlers' place, being visually impaired (4-4)
16 I cut back into Scottish port for West Indian witch (3,5)
18 Single French article a day (5)
20 See 21 down
21 Eats – eats voraciously when inverted (10)
23 Is it after five or may I call? (7)
24 Sort of car roof it's difficult to improve on? (7)
25 Indian sage in retreat at blood (6)
26 Frank has the power and performed (6)

DOWN

1 Law of succession requires a licence in part (5)
2 Very young one losing head over Capability Brown? (7)
3 Wrongly spelled "amused" with an A till we were all fed up (2,7)
5 These were originally balls of twine (5)
6 Playwright who edited Robeson? (7)
7 "Romances with a boss" is in the future (4,5)
10 Bay – awful din in dog (3-6)
13 Bad player without sin turning up as a religious expert (9)
15 French assents in climbing plant – they sold it (9)
17, 19 Ambulants from UK gale down wind (7,7)
21, 20 Fifty in four thousandths of a dollar: it gives ground, as it were (5,4)
22 Light that can rise in a flash (5)

Solution to Puzzle No.8,124



WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close April 13

Sales	Stock	High	Low	Close	Chng
10100	Canfor	$34¾	33¾	33¾	+⅛
6000	CnPcForest	$21¾	21½	21¾	+¼
9500	Cara Op	440	430	440	+5
500	Cascades	$6¼	6¼	6¼	
500	Celanese	$44¾	44¼	44¾	+¼
200	CntCpital	26	26	26	-6
84800	Cineplx Odn	189	178	187	+14
15900	Cntrl Fd A	u$5¼	5	5¼	+¼
85600	Cominco	$16⅞	16⅝	16¾	
33600	Computalog	175	162	162	-13
27500	Conwest Sys	$18⅞	18⅝	18¾	
1100	CoscanDev	165	165	165	+5
254500	CrownX A	305	289	300	+11
3500	KerrAddis	$20	20	20	+⅛
50000	Labatt	$25⅝	25⅛	25⅝	+⅜
340100	Lac Minls x	$8⅞	8⅝	8⅞	
1100	Lafarge	$20¼	19¾	20¼	
12100	Laidlaw A	$10	d9¼	9¾	-⅜
654500	Laidlaw B	$10	d9⅝	9⅞	-¼
200	Laurent Bk	$17⅝	17⅝	17⅝	
3700	Laurent Gp	485	485	480	
1300	Laucon Mar	$9½	9½	9½	
45400	Loblaw	u$22½	22⅝	22⅞	
76300	Mackenzie	$7¼	7⅛	7¼	
33800	RogersCom B	$16¾	16⅝	16¾	
200	Rothmans	$99⅞	99⅞	99⅞	
1320100	RoyalBkCan	u$26⅞	26½	26¾	+½
147900	Ryl Oak Mn	440	415	415	-10
430200	RylTrustco	48	41	47	+3
10600	StLawrCm A	$8¾	8½	8⅝	-⅛
283400	SceptreRs	$10⅛	9⅞	9⅞	-⅛
2500	ScottPaper	$11½	11½	11½	
7400	Scotts Hos	$8½	d8½	8⅝	-½
289000	Seagram Co	$34⅝	34¼	34½	+⅛
32100	Sears Can	$8	7⅞	7⅞	
18300	ShellCan A	$38¼	37⅞	38	+⅛

MONTREAL

4 pm close April 13

Sales	Stock	High	Low	Close	Chng
15000	DomnTxt A	$10	9⅞	9⅞	-⅛
11500	Maclaninl x	$11¼	11⅛	11⅛	-¼
919800	NatBk Can	u$9¼	9	9¼	+⅜
800	Quebecor A	$17⅝	17½	17⅝	+⅛
22400	Teleglobe	u$16⅞	16¾	16¾	-⅛
67900	Univa	$8	7⅞	7⅞	-⅛
35700	Videotron	$21¼	20⅞	21	-⅛

Total Sales 25,232,600 shares

INDICES

NEW YORK

DOW JONES	Apr 12	Apr 8	Apr 7	Apr 6	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3428.09	3396.49	3397.02	3377.57	3478.34 (10/3)	3241.95 (20/1)	3478.34 (10/3/93)	41.22 (2/7/32)
Home Bonds	106.61	106.34	106.37	106.46	106.61 (12/4)	103.49 (11/1)	106.61 (12/4/93)	54.99 (1/10/81)
Transport	1548.84	1613.38	1617.40	1581.15	1548.84 (12/4)	1453.84 (4/1)	1648.84 (12/4/93)	12.32 (8/7/32)
Utilities	244.49	242.60	242.66	242.36	244.49 (13/4)	217.14 (8/1)	244.49 (12/4/93)	10.50 (8/4/32)

DJ Ind. Day's High 3452.57 (3420.44) Low 3391.08 (3357.58) (Theoretical♠)
Day's High 3434.57 (3407.83) Low 3395.67 (3378.82) (Actual♠)

STANDARD AND POOR'S

	Apr 12	Apr 8	Apr 7	Apr 6	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	448.37	441.84	442.73	441.16	456.33 (10/3)	426.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	500.31	501.85	503.40	502.22	524.99 (10/3)	497.53 (18/2)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.18	45.28	44.97	44.23	46.18 (12/4)	39.89 (8/1)	46.18 (12/4/93)	8.64 (1/10/74)
NYSE Composite	245.91	243.84	244.32	243.62	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	418.08	416.24	417.57	417.71	423.43 (31/3)	395.84 (8/1)	423.43 (31/3/93)	29.31 (9/12/72)
NASDAQ Composite	673.12	666.33	668.65	664.14	708.65 (4/2)	651.40 (23/2)	708.85 (4/2/93)	54.87 (31/10/72)

	Apr 8	Apr 2	Mar 26	year ago (approx.)
Dow Industrial Div. Yield	3.02	3.04	2.98	2.85
	Apr 7	**Mar 31**	**Mar 24**	**year ago (approx.)**
S & P Industrial div. yield	2.55	2.48	2.49	2.70
S & P Indl. P/E ratio	25.82	26.55	26.06	27.86

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Citicorp	11,907,700	30⅛	+ 1⅛
RJR Nabisco	6,528,600	6⅛	+ ⅛
Wal-Mart Stores	4,711,400	29⅞	+ 1
Philip Morris	4,689,500	47½	+ 1¼
Stone Cont	3,910,300	9	+ 1½
Gateo	3,906,700	16⅞	- ⅞
US Surgical	3,808,900	29⅞	- 1½
Merck	2,928,900	34⅞	+ 1⅛
Chrysler	2,730,000	42¼	+ ⅞
Waste Man	2,084,700	30	- 1

TRADING ACTIVITY

† Volume (Millions)	Apr 12	Apr 8	Apr 7
New York SE	239.611	282.474	267.757
Amex	17.686	15.650	14.048
NASDAQ	214.148	(u)	212.545
NYSE			
Issues Traded	2,505	2,479	2,489
Rises	1,354	983	1,061
Falls	613	881	851
Unchanged	538	614	587
New Highs	185	110	87
New Lows	30	44	33

CANADA

TORONTO	Apr 12	Apr 8	Apr 7	Apr 6	1993 HIGH	1993 LOW
Metals & Minerals	2883.91	2840.82	2870.32	2908.33	2972.25 (9/3)	2743.31 (21/1)
Composite	3615.01	3591.80	3601.42	3598.81	3615.01 (12/4)	3275.80 (21/1)
MONTREAL Portfolio	1820.41	1800.98	1809.34	1817.65	1856.83 (23/3)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's) ♥ Subject to official recalculation.

	Apr 13	Apr 12	Apr 9	Apr 8	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1686.7	(c)	(c)	1665.7	1686.70 (13/4)	1495.00 (13/1)
All Mining (1/1/80)	672.2	(c)	(c)	665.8	678.80 (2/4)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	339.21	(c)	(c)	330.63	357.78 (9/3)	300.25 (14/1)
Traded Index (2/7/91)	789.19	(c)	(c)	783.25	860.17 (3/3)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	(c)	(c)	1260.47	1265.12	1269.11 (7/4)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	280.76	(c)	(c)	(c)	289.64 (4/2)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1050.1	(c)	(c)	(c)	1050.10 (13/4)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	537.43	(c)	(c)	535.35	547.37 (30/3)	471.24 (13/1)
CAC 40 (31/12/87)	2018.08	(c)	(c)	1995.86	2035.91 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	658.65	(c)	(c)	652.11	675.70 (10/3)	588.82 (14/1)
Commerzbank (1/12/53)	1877.70	(c)	(c)	1857.70	1906.10 (10/3)	1694.30 (14/1)
DAX (30/12/87)	1671.05	(c)	(c)	1655.73	1717.40 (11/3)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6418.21	(c)	(c)	6285.67	6508.00 (9/3)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1551.36	(c)	(c)	1522.44	1551.36 (13/4)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	513.01	(c)	512.09	510.01	536.72 (4/3)	446.33 (6/1)
MIB General (4/1/93)	1133.0	(c)	1132.0	1126.0	1186.00 (2/3)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20740.29	19882.14	19882.18	18967.27	20740.29 (13/4)	16287.45 (26/1)
Tokyo SE (Topix) (4/1/68)	1608.76	1565.41	1563.28	1568.70	1608.76 (13/4)	1250.06 (25/1)
2nd Section (4/1/68)	2042.93	2018.12	2008.95	1973.27	2042.93 (13/4)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	654.28	655.80	661.35	656.81	661.35 (7/4)	614.28 (13/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.End 1983	329.0	(c)	(c)	328.1	329.00 (13/4)	295.70 (4/1)
CBS All Shr End 1983	221.1	(c)	(c)	220.5	221.10 (8/4)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	786.36	(c)	(c)	(c)	788.43 (29/3)	689.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1584.35	1584.89	(c)	(c)	1584.89 (12/4)	1270.69 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	423.45	423.82	(c)	425.06	428.01 (7/4)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1217.0♥	(c)	(c)	1254.0	1279.00 (5/4)	776.00 (5/1)
JSE Industrial (28/9/78)	4352.0♥	(c)	(c)	4369.0	4645.00 (10/2)	4340.00 (7/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	720.52	720.86	702.93	695.07	720.86 (13/4)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	239.00	236.49	(c)	(c)	241.50 (30/3)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	995.6	(c)	(c)	994.80	1039.00 (9/3)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	980.8	(c)	(c)	984.9	970.40 (1/4)	804.90 (11/1)
SBC General (1/4/87)	743.6	(c)	(c)	745.6	745.90 (2/4)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4597.66	4682.27	4647.13	4605.15	5013.26 (7/4)	3098.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	(c)	(c)	882.71	888.49	896.44 (25/1)	849.20 (30/3)
WORLD						
M.S. Capital Intl.(1/1/70) $	580.8*	(c)	551.9	548.9	580.80 (13/4)	488.60 (13/1)
Euro Top-100 (26/6/90)	956.01	(c)	(c)	944.56	956.01 (13/4)	862.73 (13/1)

**Saturday April 10: Taiwan Weighted Price: 4,688.86. Korea Comp Ex. 708.33.
♥ Subject to official recalculation.

*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Tuesday April 13, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	28.5m	409	+16	Mitsubishi Heavy	8.5m	682	+27
Nippon Comsys	18.4m	1,400	+130	Fujitsu Ltd	8.2m	730	+24
Nippon Oil	10.3m	805	+30	Oji Paper	7.9m	1,000	+50
Cosmo Oil	9.6m	855	+53	Nippon Yusen KK	7.3m	641	+22
[illegible]	9.0m	1,040	+40	NEC Corp	6.2m	983	+25

4 pm close April 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13¼	11½	AAR Corp	0.48	3.8	23	217	12⅝	12¼	12⅝	+¼
27¼	20	A L Labs A x	0.18	0.8	33	548	23¼	23	23⅝	+½
61⅜	54⅝	AMP Inc	1.60	2.7	21	1033	61	60	60⅛	-⅝
70¼	55½	AMR			10	5305	u70¼	69⅛	69¼	-½
2	1⅝	ARX			10	80	1⅞	1⅞	1⅞	
42½	29⅞	ASA	2.00	5.1	26	636	39½	39	39⅛	+⅛
30¼	22⅝	Abbott Lab x	0.68	2.7	17	10961	25⅞	25	25	-¼
12⅝	10¼	Abitibi Pr x	0.50	4.5	3	20	11⅛	11⅛	11⅛	-⅛
11⅞	10¾	ACM Gvt In x	0.96	8.5		341	u11⅞	11⅛	11¼	+⅛
9¾	9⅛	ACM GvOpp x	0.79	8.4		143	9⅜	9¼	9⅜	+⅛
9⅝	8¾	ACM Gvt Sp	0.78	8.3		369	9½	9¼	9½	+⅛
11⅞	10½	ACM Gvt Se	0.96	8.6		338	11¼	11⅛	11⅛	+⅛
10⅞	9⅝	ACM Man x	1.08	10.0		128	10¾	10⅝	10¾	+¼
9⅜	8⅝	ACM Mangd x	0.72	8.0		347	9⅛	9	9	-⅛
8⅞	7¾	Acme Cleve	0.40	4.7	18	458	8½	7⅞	8½	+⅝
9¼	6½	Acme Elect			712	14	7¼	7	7⅛	+⅛
16	12⅛	Acuson			11	578	13⅜	12¼	12¼	-1⅛
22¼	19⅝	Adams Expr	0.48	2.3	1	59	21⅛	21	21⅛	
55	45½	Ad Micro	3.00	5.6		475	u55	53¼	53¼	-1⅛
26	17⅝	Ad Micro P	3.00	12.2	10	11479	u26	24½	24⅝	-1⅛
7¾	5½	Advest Grp	0.16	2.2	14	737	7⅜	7	7¼	+⅜
49⅜	41⅛	Aegon ADR	1.35	2.9	8	140	47⅜	47	47⅛	-¼
53¾	43⅝	Aetna Li	2.76	5.5	107	2708	50⅝	50⅛	50⅜	-¼
14½	11½	AGH A	0.26	2.1	30	757	12½	12¼	12¼	
36⅞	33	Aflac	0.44	1.2	18	1969	36⅜	35½	36¼	+⅝
22⅛	17¼	Ahmanson	0.88	4.5	9	1389	19⅝	19⅝	19¾	+⅛
7¾	4⅝	Aileen Inc			16	107	4⅞	4¾	4¾	+⅛
48½	40⅜	Air Pr Chm	0.86	2.0	17	1641	43⅜	43	43	+⅝

Continued on next page

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4 pm close April 13

NYSE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

4 pm close April 13

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AMEX COMPOSITE PRICES

4 pm close April 13

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AMERICA

Higher bond prices help lift US equities

Wall Street

FOR the second straight day, US stock markets moved higher in tandem with government bond prices, *writes Patrick Harverson in New York.*

At 1 pm the Dow Jones Industrial Average was up 16.21 at 3,444.30. The more broadly based Standard & Poor's 500 was 0.80 higher at 449.17, while the Amex composite was up 1.53 at 419.61, and the Nasdaq composite up 3.05 at 676.17. Trading volume on the NYSE was 179m shares by 1 pm.

Once again, rising bond prices and falling yields helped stock market sentiment, even though part of the upward momentum in bonds came from bad news on retail sales, which fell 1.0 per cent in March.

Ultimately, however, bond prices were rising steadily because recent news on consumer and producer prices allayed fears that inflationary pressures had been building up in the economy.

Stocks were also boosted by big gains in overseas markets, notably in Tokyo, where the main index jumped 4.3 per cent after the Japanese government unveiled an ambitious fiscal stimulus package aimed at helping the ailing economy.

Otherwise, US markets were moved by corporate news, mostly in the form of first quarter earnings reports.

Brokerage and investment banking stocks were in particularly good form, lifted by news of another quarter of record earnings at the securities industry's biggest company, Merrill Lynch, which reported profits of $342m for the period, up 57 per cent on a year earlier.

The earnings helped Merrill shares rise $5¼ to $76⅝ in busy trading. Also firmer were PaineWebber, up $1⅜ at $27⅞, Morgan Stanley, $1⅜ higher at $64, Dean Witter Discover, $1¼ firmer at $38¼, and JP Morgan, up $1⅝ at $72.

Motorola remained buoyed by Monday's news, released after the close of trading, of strong first quarter earnings. The stock rose $2⅜ to $73¼ in volume of 1.9m shares.

Other big computer issues were flat or weaker, with IBM down $¼ at $50½, Digital Equipment $¼ firmer at $40⅝ and Hewlett-Packard up $¼ at $75⅝.

Other notable stocks to be aided by first quarter earnings were Westinghouse Electric, up $⅝ at $15¼, and CBS, $6⅝ higher at $236⅝.

Citicorp rose $¼ to $30⅞ as reports continued to circulate that Prince Alwaleed Bin Talal, the bank's largest individual shareholder, had sold almost 9m shares on Monday.

Canada

TORONTO edged higher, led by banks following Toronto-Dominion Bank's assumption of up to $5.5bn of Westpac Banking's credit commitments. By midday, the TSE 300 index was 8.79 ahead at 3,623.50 in turnover of C$358m.

Among active stocks Cott, the bottling company, added C$1¼ to C$48⅝ in continued response to the sharp rise in fourth quarter profits, announced last Thursday.

SOUTH AFRICA

JOHANNESBURG fell following Saturday's assassination of the Communist Party chief and ANC national executive member, Mr Chris Hani. The overall index fell 60 to 3,529, heavily influenced by golds which shed 47, or 3.7 per cent to 1,217.

The industrial index closed 17 lower at 4,352. Dealers said that a major sell-off had been avoided, but that tomorrow's general stayaway, called by the African National Congress, was expected to dictate short term direction.

ASIA PACIFIC

Nikkei peaks as Hang Seng accelerates in London

Tokyo

EQUITIES climbed by 4.3 per cent to a new 1993 peak as the announcement of Japan's Y13,200bn supplementary budget to resuscitate the economy triggered active buying from dealers, arbitragers and public fund managers, *writes Wayne Aponte in Tokyo.*

The Nikkei average closed 858.15 higher at 20,740.29, after reaching an intraday high of 20,753.74 during the final minutes of trading and opening at its session low of 19,902.42. The last time the average closed above this level was March last year.

Volume shot up again to 750m shares compared with Monday's 336.6m. Advances overwhelmed declines by 1,055 to 65, with 66 unchanged, the Topix index of all first section issues rose 53.35 to 1,608.76 and, in London, the ISE/Nikkei 50 index fell 3.75 to 1,268.43.

Traders had initially expected share prices to fall since the stimulus package, although the largest ever, was in line with expectations. However, hopes of a sustained bullish trend offset concerns over weak economic fundamentals.

Mr Ryoji Tanaka, head of Japanese equity trading at Kidder Peabody International, said that most investors believed that additional buying will enter the market as the Nikkei average has settled above the 20,000 level.

Large-capitalisation stocks were bought aggressively, with *Nippon Steel, the most active* issue of the day, settling Y16 higher to Y409 while Mitsubishi Heavy Industries rose Y27 to Y682.

Nippon Telegraph and Telephone, which has led the recent market rally, closed up Y40,000 at a session high of Y1.07m. Reports that the fiscal package announced yesterday included government investments in telecommunications infrastructure encouraged broadly based buying in the sector. *Nippon Comsys,* the telecommunications engineer, soared Y130 to Y1,400. Electric wire and cable issues were also strong with Fujikura up Y40 to Y1,040 and Furukawa Electric rising Y23 to Y724.

Exporters were higher in spite of the higher yen. Hitachi rose Y39 to Y908. Sony gained Y200 to Y5,000 and Toyota Motor advanced Y50 to Y1,740.

In Osaka, the OSE average rose 660.89 to settle at 22,113.38 in volume of 33m shares.

Roundup

WIDELY divergent routes were taken by equity markets around the Pacific Rim.

HONG KONG went into a slow burn. Shares surged 2.1 per cent in anticipation of the announcement, which came after the market closed, of a resumption of Sino-British talks on the colony's future. The Hang Seng index rose 132.54 to 6,418.21 as turnover improved slightly to HK$2.54bn.

The mood subsequently carried over into London trading of Hong Kong shares. HG Asia in London said that prices peaked at the equivalent of a further 300 point rise in the Hang Seng before settling to close 275 ahead at 6,693. One analyst said: "This was a big surge for trading in London but we are used to this kind of volatility."

Gains in Hong Kong were recorded across the board, with banks and utilities leading the way. HSBC Holdings, which topped the actives list, climbed HK$1 to HK$69.50 and Hong Kong Telecom rose 20 cents to HK$10.

Jardine Matheson bounced HK$2 higher to HK$48 on hopes of a thaw in Sino-British relations. There was also talk of disposal of its Hongkong Land subsidiary, on which the group declined comment.

AUSTRALIA closed at a 17-month high, taking its lead from the strength of the Japanese and US markets. The All Ordinaries index rose 23.0 to 1688.7, its highest since November 11, 1991.

BOMBAY ended with slight gains in a declining market on intervention by the state-owned Unit Trust of India. The BSE index rose 13 to 2,235, having fallen in early trading to a 14-month low of 2,175.

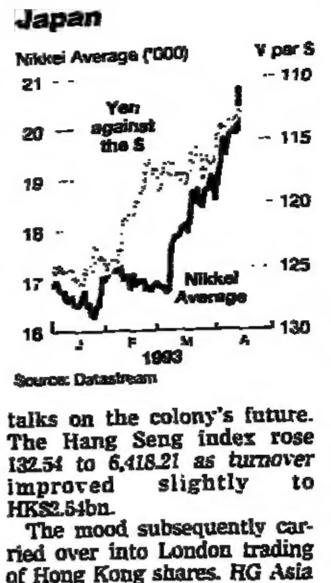
KARACHI closed lower on political uncertainty after the resignations of two more cabinet ministers and the 100-share index ended 15.53 down at 1,094.11.

SEOUL failed to maintain the momentum that took shares to an 18-month high on Monday and the composite index edged 0.44 lower to 720.52 in turnover of Won807.9bn after Monday's Won933.2bn.

SINGAPORE was prey to profit-taking after last week's rally and the Straits Times Industrial index shed 14.33 to 1,693.51.

TAIWAN was lower for the fifth straight day in thin turnover. The weighted index spent most of the session moderately easier before a late wave of selling pushed it down 84.61 or 1.8 per cent to 4,597.66.

Japan



Source: Datastream

EUROPE

French interest rate cut signals further reductions

BOURSES offered a limited response to the overnight strength in the US and Japanese equity markets, *writes Our Markets Staff.*

Mr Anthony Thomas, European strategist at Kleinwort Benson, said that Europe, these days, is looking inward much more than before, influenced by the German recession on one hand and by the fall in continental interest rates, on the other.

PARIS reacted to the cut in the 5-10 day repo rate with a 1.6 per cent gain in the CAC-40 index which closed 31.22 higher at 2,018.08. While the 2 percentage point cut had been anticipated last week, the market now expects a decrease in intervention rates, perhaps before the weekend. The central bank's decision reflected the resilience of the franc, which many commentators had expected to come under pressure in the currency markets as speculators tested the new government's commitment to the *franc fort* policy.

March inflation figures, much in line with expectations, also supported trading in average turnover of FFr2.2bn.

Interest-rate sensitives were among the best performers with SocGen gaining FFr13 to FFr644, Paribas FFr8.80 to FFr424.80 and Crédit Local FFr24 or 6 per cent to FFr429.

FRANKFURT registered its biggest gains in a month as the DAX index closed 15.32 higher at 1,671.05, but opinions on the market continued to conflict.

Turnover was reported to have been thin. Financials were strong as bond markets rose following the decline in US bond yields, Deutsche Bank rising DM8.80 to DM707.40, although dealers said that the DM35 gain to DM2,220 in Allianz reflected a buy signal in the stock's chart pattern.

Car stocks moved up, down and sideways, reflecting disagreement between German financial advisers like Merck Finck, in Düsseldorf, which puts the sector in the reduce/underweight category, and Bank Julius Bär in Frankfurt, which has gone for an overweight position now that comprehensive cost-cutting measures are in hand in the industry.

Daimler rose DM4.20 to DM569.20 after an intraday peak of DM576.00; BMW lost 50 pfennigs to DM484 after an intraday high of DM487.50; and Volkswagen ended with a gain of DM1 at DM312.

MADRID rose on Wall Street's strength and the view that the early general election might remove some of the uncertainties facing the market – although some analysts demurred, saying that a close-fought campaign could create more problems than it solved.

The general index rose 2.51 to 239.00. There were gains of up to, and over 10 per cent in constructions where Cubiertas ended Pta700 higher at Pta7,300 and FCC rose Pta510 to Pta9,620 on a Pta658bn hydrological plan to redirect water resources to the drought ridden south.

ZURICH began firmly on hopes of lower interest rates, but the advance was not sustained as worries about the effect of a firmer Swiss franc weighed on the prospects for exporters. The SMI index finished 6.5 lower at 2,181.8.

Among export oriented companies, Nestlé bearers slipped SFr5 to SFr1,165 while Roche certificates eased SFr20 to SFr4,170.

Banks and insurers were the beneficiaries of lower rate hopes. CS Holding bearers firmed SFr10 to SFr2,410, recouping early losses which followed Thursday's news that Moody's had downgraded the long-term debt of Credit Suisse.

AMSTERDAM followed the general trend with a gain in the CBS Tendency index of 0.7 to 108.6. VNU put on 80 cents to Fl 112.10 ahead of confirming after the close that it had reached agreement to sell its printing division.

MILAN moved ahead from the start before gains were pared by technical trading ahead of today's expiry of options contracts. The Comit index ended 0.92 higher at 513.01.

Privatisation stocks were mixed in further response to last Thursday's sell-off timetable. Among candidates due to be sold by May, Credito Italiano fell L60 to L2,650 while Sme gained L60 to L5,990.

STOCKHOLM edged ahead in thin trading and the Affärsvärlden Index rose 2.3 to 996.9. *Volvo B shares* added SKr10 to SKr382 following news at the weekend that its North American truck operations had returned to profit.

Hennes and Mauritz, the clothing retailer, added SKr10 or 5 per cent to SKr208 after Mr Stefan Persson, the majority shareholder, agreed to accept SKr800m of company shares in payment for the SKr1bn convertible debenture loan that he holds.

DUBLIN took its gains further, the ISEQ overall index closing 28.92, or 1.92 higher at 1,551.36, on anticipation of yet another rate cut this Friday, and on indications of improved cash flow at domestic institutions – meaning that they had no need to sell into continued foreign buying of the market.

TEL AVIV rose in strong trading with a gain in the index of 4.72 or 2.3 per cent to 215.44.

FT-SE Actuaries Share Indices

April 13 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1158.03	1159.84	1159.75	1158.72	1158.38	1158.43	1157.83	1157.54
FT-SE Eurotrack 200	1221.83	1222.39	1223.64	1221.61	1223.55	1223.27	1222.03	1220.72

	Apr 8	Apr 7	Apr 6	Apr 5	Apr 2
FT-SE Eurotrack 100	1151.40	1144.36	1147.43	1136.15	1140.36
FT-SE Eurotrack 200	1211.28	1206.25	1210.05	1202.24	1215.52

Base value 1000 (26/10/90) High/day: 100 - 1160.41, 200 - 1224.50 Low/day: 100 - 1157.10 200 - 1219.66

Italy rebounds on recovery hopes

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+2.16	-4.95	-12.79	+2.55	+2.33	+3.37
Belgium	+0.03	+2.57	+11.11	+14.72	+14.38	+15.53
Denmark	-0.20	+0.10	-11.34	+8.37	+10.24	+11.36
Finland	+2.07	+6.01	+42.84	+29.47	+16.28	+17.45
France	-0.27	+1.40	+3.13	+9.03	+9.81	+10.92
Germany	-0.06	-3.08	-5.62	+8.52	+8.44	+9.53
Ireland	+2.31	+10.60	+10.84	+27.70	+18.67	+19.87
Italy	+9.42	+0.82	+12.25	+19.71	+11.37	+12.48
Netherlands	+0.14	+1.11	+9.67	+11.07	+10.95	+12.07
Norway	+0.98	+1.25	-0.80	+11.51	+11.69	+12.82
Spain	-0.82	-0.89	-2.85	+10.64	+8.83	+9.93
Sweden	-1.36	-2.03	+13.68	+4.67	-3.48	-2.51
Switzerland	-0.10	+2.78	+19.45	+6.29	+4.43	+5.48
UK	-1.57	-2.95	+17.31	+0.15	+0.15	+1.16
EUROPE	-0.34	-1.09	+9.41	+5.77	+4.93	+5.99
Australia	-1.25	-0.05	+5.16	+6.89	+9.08	+10.17
Hong Kong	-1.90	+1.47	+27.74	+13.29	+12.28	+13.41
Japan	+1.99	+15.15	+33.24	+19.10	+29.97	+31.28
Malaysia	+2.23	+4.39	+30.36	+10.54	+11.00	+12.12
New Zealand	-0.57	-1.83	+11.34	+3.00	+6.83	+7.93
Singapore	+0.82	+4.32	+17.07	+6.57	+6.49	+7.57
Canada	-0.39	+0.15	+2.01	+4.71	+4.63	+5.69
USA	+0.11	-1.84	+10.44	+1.29	+0.28	+1.29
Mexico	+1.68	+6.56	+3.93	+0.05	-0.22	+0.79
South Africa	+0.82	+5.71	+5.22	+12.70	+18.66	+19.85
WORLD INDEX	+0.52	+3.16	+15.54	+7.67	+9.55	+10.67

† Based on April 9th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

By John Pitt

IN a week shortened by the Easter holiday break, Italy emerged with strong gains as investors reacted to comments by the governor of the Bank of Italy that the economy was showing signs of recovery.

Japan was another significant feature with the Nikkei average breaking through the 20,000 barrier during trading on Thursday before closing slightly below, but still at a new year's high.

The gains in Italy were also encouraged by the government's restatement, towards the end of the week, of its determination to press ahead with its privatisation programme, together with final cabinet approval of the law on private pensions.

But it was the growing belief that economic recovery was under way which really provided buying stimulus, at least among domestic investors. Some analysts noted that foreign institutions remained absent last week as they awaited this weekend's referendum on constitutional changes.

Cautioning against too much optimism, Goldman Sachs in its regular monthly strategy note comments that "on earnings the Italian equity market [short-term] still looks overvalued by about 27 per cent and faces a difficult reporting season".

On a longer perspective, Goldman says that "the upside largely depends on how long it takes to build a perceived stable political equilibrium through new elections. Great emphasis should also be put on the 1994 budget law and [the government's] ability to sustain the fiscal discipline recently introduced".

While Spain was not a feature last week, the decision by Mr Felipe Gonzalez, the prime minister, on Monday to call a snap election for June 6 could provide a short-term boost for equities. Mr Victor Galliano of Baring Securities comments that pressure on the peseta may lead to lower interest rates, even before polling day.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY APRIL 12 1993								FRIDAY APRIL 9 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	138.45	+0.4	132.69	98.72	114.70	129.34	+0.0	3.82	137.65	133.64	98.70	115.00	129.34	141.00	117.39	143.35
Austria (18)	144.43	-0.3	138.42	102.98	119.65	120.38	+0.0	1.89	144.88	140.45	103.73	120.85	120.38	150.96	131.16	165.29
Belgium (42)	153.60	-0.2	147.21	109.51	127.25	125.32	+0.0	4.57	153.92	149.22	110.20	128.40	125.32	153.92	131.19	135.87
Canada (110)	122.77	+0.5	117.66	87.53	101.70	112.07	+0.5	2.97	122.22	118.48	87.50	101.94	111.48	125.97	111.41	128.63
Denmark (33)	208.69	+0.7	200.01	148.81	172.89	173.73	+0.0	1.32	207.26	200.93	148.39	172.89	173.73	210.28	185.11	230.30
Finland (23)	82.17	+0.5	78.75	58.59	68.08	98.93	+0.0	1.26	81.76	79.27	58.54	68.21	98.93	82.17	65.50	74.56
France (98)	164.34	+0.7	157.50	117.17	136.13	139.07	+0.0	3.22	163.25	158.26	116.87	136.17	139.07	165.09	142.72	154.72
Germany (62)	114.74	+0.7	109.97	81.83	95.06	95.06	+0.0	2.25	113.96	110.48	81.60	95.06	95.06	115.03	101.59	118.52
Hong Kong (55)	251.30	+0.0	240.85	179.18	208.20	249.48	+0.0	3.71	251.27	243.60	179.90	209.61	249.48	262.08	216.82	203.17
Ireland (15)	163.78	+0.6	156.97	116.78	135.69	150.53	+0.0	3.52	162.76	157.79	116.53	135.77	150.53	163.78	129.28	158.31
Italy (73)	62.04	+0.5	59.46	44.23	51.40	72.28	+0.0	2.78	61.72	59.84	44.19	51.49	72.28	64.26	53.78	69.79
Japan (470)	137.71	-0.1	131.98	98.19	114.10	98.19	-0.5	0.85	137.88	133.67	98.72	115.03	98.72	138.24	100.75	93.74
Malaysia (69)	294.83	+0.6	282.56	210.21	244.25	292.73	+0.5	2.29	293.16	284.21	209.89	244.54	291.13	294.85	251.88	229.88
Mexico (18)	1661.71	+0.0	1592.58	1184.84	1376.66	5623.99	+0.0	1.07	1660.91	1610.18	1189.15	1385.49	5623.99	1725.81	1410.30	1672.83
Netherland (24)	170.79	+0.7	163.69	121.78	141.50	139.60	+0.0	3.92	169.68	164.50	121.48	141.55	139.60	170.79	150.39	151.45
New Zealand (13)	46.44	+0.3	44.51	33.11	38.47	45.64	+0.0	4.79	46.29	44.87	33.14	38.61	45.64	47.03	40.56	42.91
Norway (22)	156.52	+0.7	150.01	111.61	129.67	144.18	+0.0	1.83	155.37	150.62	111.24	129.61	144.18	156.66	137.71	164.67
Singapore (38)	228.28	-0.5	218.79	162.77	189.12	170.82	-0.6	1.97	229.51	222.50	164.32	191.45	171.90	231.24	207.04	197.23
South Africa (60)	177.50	+0.0	170.12	126.56	147.05	177.11	+0.0	2.84	177.50	172.08	127.08	148.07	177.11	178.48	144.72	227.56
Spain (45)	129.16	+0.6	123.78	92.10	107.00	112.50	+0.5	5.39	128.19	124.27	91.78	106.93	111.97	131.62	115.23	148.10
Sweden (36)	162.52	+0.7	155.76	115.89	134.65	181.44	+0.0	1.86	161.41	156.48	115.57	134.65	181.44	166.80	149.70	181.62
Switzerland (56)	120.33	+0.9	115.32	85.80	99.70	109.13	+0.0	1.99	119.20	115.56	85.35	99.45	109.13	120.33	106.91	97.33
United Kingdom (219)	176.37	+1.2	169.03	125.75	146.10	169.03	+0.0	4.08	174.36	169.03	124.82	145.43	169.03	177.17	162.00	182.29
USA (519)	182.96	+1.4	175.35	130.46	151.58	182.96	+1.4	2.78	180.39	174.88	129.16	150.48	180.39	186.27	175.36	165.42
Europe (766)	145.39	+0.9	139.34	103.67	120.46	132.07	+0.0	3.39	144.16	139.76	103.22	120.26	132.05	145.39	133.92	145.41
Nordic (114)	154.30	+0.7	147.88	110.02	127.83	150.17	+0.0	1.66	153.27	148.58	109.73	127.85	150.17	154.48	142.13	170.15
Pacific Basin (713)	141.00	-0.1	135.13	100.54	116.82	103.77	-0.5	1.15	141.13	136.82	101.05	117.73	104.26	141.46	105.89	99.29
Euro-Pacific (1479)	142.68	+0.3	136.74	101.73	118.20	115.72	-0.3	2.08	142.25	137.91	101.84	118.66	116.03	142.68	117.26	117.92
North America (829)	179.22	+1.4	171.76	127.80	148.50	178.15	+1.4	2.78	176.77	171.37	126.58	147.49	175.71	182.38	171.51	163.10
Europe Ex. UK (547)	126.09	+0.7	120.84	89.92	104.48	111.09	+0.0	2.92	125.27	121.45	89.71	104.52	111.06	126.09	112.51	123.28
Pacific Ex. Japan (243)	173.79	+0.2	166.56	123.93	143.99	158.29	+0.0	3.43	173.43	168.13	124.19	144.69	158.25	174.52	152.70	153.95
World Ex. US (1667)	143.30	+0.3	137.34	102.19	118.72	117.65	-0.2	2.11	142.88	138.51	102.30	119.19	117.94	143.30	118.51	120.53
World Ex. UK (1967)	153.63	+0.7	147.24	109.55	127.29	134.57	+0.5	2.19	152.57	147.91	109.24	127.29	133.96	153.63	134.22	130.27
World Ex. So. Af. (2126)	155.60	+0.7	149.12	110.96	128.92	137.38	+0.4	2.37	154.45	149.73	110.59	128.85	136.81	155.60	137.29	134.15
World Ex. Japan (1716)	166.86	+1.1	159.92	118.99	138.26	159.87	+0.8	3.01	165.03	159.99	118.17	137.69	158.58	167.11	157.47	157.62
The World Index (2186)	155.63	+0.7	149.16	110.97	128.94	137.76	+0.4	2.37	154.49	149.77	110.81	128.88	137.19	155.63	137.32	134.76

Latest prices were unavailable for this edition. Markets open 12/4/93: Canada, Japan, Malaysia, Singapore, Spain & USA.